Supreme Court, U.S.
FILED

98 322 AUG 24 1998

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No. 98-____

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

EXXON CORPORATION AND
EXXON CHEMICAL PATENTS, INC.,
Petitioners,

v.

THE DOW CHEMICAL COMPANY,
Respondent.

On Petition for a Writ of Certiorari To The United States Court of Appeals For the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Federal Circuit erred in sanctioning a damages action against a patentholder based on its notices of infringement regarding a patent allegedly obtained by inequitable conduct when, under the federal patent laws and this Court's decisions, (a) such notices are a statutory prerequisite for a patentholders' recovery of infringement damages; and (b) recovery of damages for patent enforcement requires proof of actual fraud, not merely inequitable conduct?

PARTIES TO THE PROCEEDING

Petitioners, Exxon Corporation and Exxon Chemical Patents, Inc., and Respondent, The Dow Chemical Company, are the only parties to this proceeding.[1/]

1/ Exxon Corporation is the parent of Exxon Chemical Patents, Inc. The list of Exxon Corporation's non-wholly owned subsidiaries required by Rule 29.6 is at App. 47a-60a.

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PETITION FOR A WRIT OF CERTIORARI

Exxon Corporation and Exxon Chemical Patents, Inc. (collectively "Exxon") respectfully petition this Court for a writ of certiorari to review a judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the court of appeals, Appendix ("App.") 1a, is reported at 139 F.3d 1470. The order of the court of appeals denying Exxon's petition for rehearing and suggestion for rehearing in banc and related opinions, App. 40a, are reported at 46 USPQ 2d 1859. The March 19, 1997, order of the United States District Court for the District of Delaware dismissing the complaint filed by respondent, The Dow Chemical Company ("Dow"), against Exxon, App. 37a, is not reported. The order of the district court, dated November 25, 1996, precluding Dow from introducing evidence of Exxon's alleged inequitable conduct before the Patent and Trademark Office ("PTO"), App. 27a, and its order of January 22, 1997, denying Dow's motion for reconsideration of the November 25, 1996, order, App. 33a, are not reported.

JURISDICTION

The judgment of the court of appeals was entered on March 24, 1998. A timely petition for rehearing and suggestion for rehearing in banc was filed by Exxon on April 7, 1998, and was denied on May 27, 1998. App. 40a. This Court's jurisdiction rests on 28 U.S.C. § 1254(1).

STATUTES INVOLVED

35 U.S.C. § 154(a)(1) provides in pertinent part:

Every patent shall contain a short title of the

> invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States . . . .
>
> 35 U.S.C. § 282 provides in pertinent part:
>
> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> > (1) Noninfringement, absence of liability for infringement or unenforceability . . . .
>
> 35 U.S.C. § 287(a) provides in pertinent part:
>
> [Where the patented product is not itself marked with the number of the patent], no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only from infringement occurring after such notice.

STATEMENT OF THE CASE

In a decision that evenly divided the judges who considered Exxon's suggestion for rehearing in banc, the Federal Circuit held that a competitor may maintain a state law damages action based upon a patentholder's allegedly inequitable conduct in obtaining its patent and thereafter

notifying the competitor's customers that their use of the claimed invention infringes the patent. In holding that such claims are not preempted by the federal patent laws, the Federal Circuit has decided an important federal question contrary to decisions of this Court. If not corrected by this Court, that decision will erode the incentive to invent — the primary purpose of the patent laws — by imposing state law damages liability upon patentholders for giving federally-required infringement notices.

Proceedings in the District Court

This case began when Dow filed a complaint against Exxon in the United States District Court for the District of Delaware. Dow sought a declaratory judgment in Count I that wires and cables made with Dow's polymer did not infringe Exxon's U.S. Patent No. 5,246,783 (the "'783 patent"). Count I also alleged that, even if Dow infringed the '783 patent, Exxon could not enforce the patent because it was obtained by Exxon's "inequitable conduct" before the PTO. (A. 1342-45 ¶ 35). In so pleading inequitable conduct, Dow acted in accordance with well-established patent law recognizing that such conduct is a defense to infringement and sought the remedy for such conduct — unenforceability of the patent — specifically provided by the patent laws, 35 U.S.C. § 282(1). (App. 23a).

However, Count II of Dow's complaint alleged that Exxon was also liable in damages under state law because it had notified Dow's customers that their use or resale of Dow's product infringed Exxon's patent. Dow incorporated into Count II the same allegations that it made in Count I concerning Exxon's allegedly "inequitable conduct" before the PTO. (A. 1345 ¶ 36). Beyond that, Dow alleged only the fact of Exxon's patent-infringement notices (A. 1337-40 ¶¶ 16-22; A. 1345 ¶ 36), as well as their intent to restrict Dow's

sales to its customers (A. 1345-46 ¶¶ 37, 40) and to promote Exxon's (A. 1346 ¶ 41); the adverse impact of the notices on Dow's sales (A. 1345-46 ¶¶ 38-40); and Exxon's lack of good faith because Exxon "should have known" or on "information and belief . . . actually knew" that Dow did not infringe "any valid and enforceable claims of the '783 patent" (A. 1346 ¶ 42).

Exxon subsequently filed a statement of non-liability with the district court, which gave Dow and its customers immunity from suit for infringement of the '783 patent. (A. 1523). The district court thereupon dismissed Count I of Dow's complaint, since there was no longer a live infringement dispute to support Dow's claim for a declaratory judgment. (A. 15-16).

After receiving further briefing from Dow regarding its damages claim, the district court held that "Dow has conceded that [Exxon's] inequitable conduct before the PTO is the sole basis for its [Count II] claim . . . ." (App. 38a).[1/] Because Dow offered no other evidence of Exxon misconduct, the district court "conclud[ed] that there are no triable issues and that the claim must be dismissed." (*Id.*).

[1/] The district court's ruling in this regard followed Dow's submission that

> Dow's Count II could succeed if the [district court] finds that Exxon obtained its '783 patent by intentionally withholding material information from the PTO with an intent to deceive the PTO [the required showing to establish inequitable conduct before the PTO] and that Exxon thereafter asserted the '783 patent without a good faith belief in its validity or enforceability. (A. 2023).

Proceedings in the Federal Circuit

Dow appealed to the Federal Circuit. A panel majority (Judges Michel and Clevenger) agreed with Dow that the district court had erroneously held that its state law damages claim was preempted by federal patent law. Accordingly, the court of appeals reversed and remanded to allow Dow to seek to prove its claim and to recover damages for its lost sales based on Exxon's infringement notices.

The essence of the panel majority's rationale is set forth in the first paragraph of the Analysis section of its opinion (App. 7a):

> We hold that such a state law tort claim is not preempted by the federal patent law, even if it requires the state court to adjudicate a question of federal patent law, provided the state law cause of action includes additional elements not found in the federal patent law cause of action . . . .

The panel majority found those "additional elements" in this case, because the state law cause of action "requires that the tortfeasor have knowledge of the contractual relationship with which he is interfering and that he commit an act of intentional inducement to harm that relationship." (App. 15a). Asserting that "[t]hese required elements take place in the marketplace, not before the PTO" (App. 15a), the panel majority concluded:

> [B]ecause it requires entirely different elements to establish a *prima facie* state tort action for intentional interference with contractual relations, [the action] plainly is not a preempted alternative or additional

state law remedy for inequitable conduct.

(App. 15a-16a).[2/]

Judge Lourie dissented. (App. 21a-26a). Observing that inequitable conduct is only a defense to a claim of patent infringement (App. 23a), he would have held that Dow's state tort claims were preempted as "frustrat[ing] federal patent policy by providing damages for inequitable conduct distinct from the remedies established under federal law" (App. 24a).

Exxon petitioned for rehearing and suggested rehearing in banc. Three members of the Federal Circuit, including Judge Michel who authored the panel opinion, recused themselves. (App. 41a). The eight remaining members were evenly divided as to whether Exxon's suggestion for rehearing in banc should be granted. Accordingly, it was denied. (App. 41a).[3/]

Judge Lourie again wrote a dissenting opinion (joined by Judges Newman and Rader), which rested upon his dissent from the panel's decision. (App. 43a). He also expressed alarm that the Federal Circuit had "open[ed] up" a "whole new field of litigation" in the form of actions based on

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[2/] In the course of rendering its decision, the panel majority stated that it did "not agree with the district court that this particular state law cause of action turned 'solely' on inequitable conduct" (App. 14a), even though Dow conceded this point in the district court (App. 6a) and did not argue otherwise in the court of appeals. Moreover, as Exxon shows below, p. 9, *infra*, the panel majority's reasons for its disagreement with the district court do not avoid the conclusion that Dow's state law cause of action is preempted.

[3/] Chief Judge Mayer, and Judges Rich, Plager, and Clevenger voted to deny the suggestion for rehearing in banc; Judges Newman, Lourie, Rader, and Bryson would have granted rehearing. (App. 41a).

inequitable conduct, which he described as "a 'plague' in the patent system . . . . [t]hat . . . will now infect the states." (App. 44a). Attempting to respond to this concern, Judge Clevenger concurred in the denial of rehearing and opined that this new litigation could be removed to the federal courts and reviewed by the Federal Circuit. (App. 41a).

REASONS FOR GRANTING THE WRIT

The Federal Circuit has, in one instance, confused and, in another, simply refused to follow separate lines of authority established by this Court for resolving the conflict between the objectives of the federal patent laws and the pursuit of damages actions against patentees. In so departing from this Court's controlling authorities, the Federal Circuit has sanctioned a new species of patent-related state law damages litigation that conflicts with the primary purpose of the federal patent laws.

I. THE FEDERAL CIRCUIT MISAPPLIED THIS COURT'S PREEMPTION CASES WHEN IT SANCTIONED A DAMAGES ACTION BASED UPON INEQUITABLE CONDUCT

The panel majority recognized that Congress enacted the federal patent laws pursuant to the powers given to it by the Constitution, Article I, § 8, Cl. 8, to "secur[e] for limited Times to . . . Inventors the exclusive Right to their respective . . . Discoveries." (App. 7a). It also noted that "state causes of action are preempted if they stand 'as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress' in enacting a statute," quoting *Hines* v. *Davidowitz*, 310 U.S. 52, 67 (1941) (App. 7a-8a). *See also Barnett Bank* v. *Nelson*, 517 U.S. 25, 31 (1996) (state statute preempted as being in "irreconcilable conflict" with federal banking statutes); *American Tel. & Tel. Co.* v. *Central*

Office Telephone, 524 U.S. ___, 118 S. Ct. 1956 (1998) ("*AT&T*") (state contract and interference with contract claims similarly preempted). Finally, the panel majority recognized that this Court in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 480-81 (1974), recited that the first of the three objectives of the patent laws is "providing an incentive to invent." (App. 9a).

Although acknowledging the foundation principles that should have led to the conclusion that the state law cause of action at issue here is preempted, the panel majority avoided that conclusion by two interrelated strands of reasoning, neither of which justifies the Federal Circuit's sanctioning of a new state law damages actions against patentholders.

1. The lower court's principal justification for its decision is that "the state law cause of action includes additional elements not found in the federal patent law cause of action" (App. 7a) — *i.e.*, proof of "misconduct in the marketplace," which the court characterized as being "entirely different [from] . . . inequitable conduct before the PTO." (App. 15a).[4/] Specifically, the lower court held that the patentee must "have knowledge of the contractual relationship with which he is interfering and . . . commit an act of intentional inducement to harm that relationship," citing the Restatement (Second) of Torts § 766, Cmts. h, i, which defines the tort of intentional interference with contract. (App. 15a). The panel majority's reliance upon the "additional elements" of Exxon's "marketplace misconduct"

[4/] The Federal Circuit's reliance upon such "marketplace misconduct" is clearly revealed by its purported distinction of *Abbott Laboratories* v. *Brennan*, 952 F.2d 1346 (Fed. Cir. 1991), which held that a state tort action was preempted because it was based solely upon the "abuse of process" argued to be inherent in a patentee's inequitable conduct before the PTO. (App. 15a).

for avoiding preemption is demonstrably wrong for at least two reasons:

First, contrary to the assumption of the panel majority, the "marketplace" where Exxon's "additional elements" of conduct took place lies within, not outside, the area protected by the federal patent laws. Under 35 U.S.C. § 287(a), a patentee must provide notice of infringement, either by marking its patented product or by providing notice of its claims of infringement, before seeking damages for that infringement. *See American Med. Sys. Inc.* v. *Medical Eng'g Corp.*, 6 F.3d 1523, 1537 n.18 (Fed. Cir. 1993) (Section 287(a) requires a party asserting infringement either to provide constructive notice (through marking) or actual notice in order to obtain damages).

Thus, the notices that Exxon gave to Dow's customers were not mere "marketplace" behavior; instead, they were, in Judge Lourie's words, "a protected activity" (App. 24a) that is an integral part of the right made available to Exxon by the patent laws to exclude others from making, using, or selling its patented product. *See Virtue* v. *Creamery Package Mfg. Co.*, 227 U.S. 8, 37-38 (1913) ("[p]atents would be of little value if infringers of them could not be notified of the consequences of infringement . . . . Such action considered by itself cannot be said to be illegal."); *Virginia Panel Corp.* v. *MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997) (same), *petition for cert filed*, May 21, 1998.[5/]

[5/] Relying on the patent law's requirement of infringement notices, the regional circuits repeatedly rejected the imposition of business tort liability based on such notices. *See, e.g., Bryan* v. *Sid W. Richardson, Inc.*, 254 F.2d 191, 198 (5th Cir. 1958) ("[I]t is hardly to be thought that it is a sign of bad faith to warn friendly customers, present or potential, that if they purchase a competing infringing tool, litigation against them might be

(continued...)

Second, the Federal Circuit's "additional elements" test is based upon a line of cases — including *all* of the ones cited by the Federal Circuit in its opinion (App. 8a-10a) — that determine the extent to which states may extend intellectual property rights beyond those established by federal law. *See Trandes Corp.* v. *Guy F. Atkinson Co.*, 996 F.2d 655, 659 (4th Cir. 1993) (referring to the "extra element" test in determining whether state law can provide protection beyond that allowed by federal copyright law); *see also* 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01(B)(1), at 1-10 to -13 (1997). In this setting that test makes sense: It asks whether the party seeking state law intellectual property protection that it has failed to obtain under federal law has alleged "elements beyond those necessary" under federal law so that the state is "regulat[ing] conduct qualitatively different from the conduct governed by federal . . . law." *Trandes*, 996 F.3d at 659.[6/]

However, the "additional elements" test has never been applied in preemption cases like this one, where the issue is the penalties or limitations that a state can impose upon the exercise of a federal patent or copyright. Indeed, applying this test in such cases leads to absurd results, because it does

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[5/](...continued)
necessary."); *United States Galvanizing & Plating Equip. Corp.* v. *Hanson-Van Winkle-Munning Co.*, 104 F.2d 856, 862 (4th Cir. 1939) (infringement notices not unfair competition).

[6/] The panel majority's confusion in relying upon preemption decisions dealing with the states' extension of intellectual property rights is illustrated by the apparently decisive weight that it gave to its conclusion that "[t]he tort plainly does not seek to offer patent-like protection to intellectual property inconsistent with the federal scheme." (App. 11a). While true, this observation is simply beside the point when the issue is whether state law improperly imposes liabilities upon the exercise of the rights granted by the federal patent laws.

not focus on the essential inquiry whether the disputed state law frustrates the objectives of federal patent law by penalizing the exercise of federal patent rights.[7/]

2. The Federal Circuit's additional rationale for avoiding preemption — that "[i]t is difficult to fathom how such a state cause of action could have any discernable effect on the incentive to invent" (App. 11a) — is itself unfathomable. As a district court heid, in a case now condemned by the Federal Circuit's decision in this one, a state law claim for damages based upon inequitable conduct before the PTO and tortious interference with contractual relations would

> frustrate the objectives of [the patent laws] which is to encourage patentees to serve notice upon the public that certain intellectual property is patented . . . . Patentees will be much more reticent to serve such notice if doing so exposes them to state law tort claims.

Schreiber Foods, Inc. v. *Beatrice Cheese, Inc.*, No. 97-C-11, 1997 U.S. Dist. LEXIS 22241 at *20-21 (E.D. Wis. Nov. 26, 1997).

The matter is as simple as this: Prior to the Federal Circuit's decision in this case, a patentee knew that its conduct before the PTO could be examined in federal patent infringement litigation and that its patent might be unenforceable, if the patentee was guilty of inequitable

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[7/] For example, application of this test would allow recovery of damages for interference with contractual relations by virtue of a patentholder's infringement notices, even where there was no allegation of inequitable conduct at the PTO or patent invalidity.

conduct before the PTO. Following that decision, the patentee knows that if it gives the infringement notices contemplated by 35 U.S.C. § 287(a) to enforce its patent, its conduct before the PTO can be reexamined (possibly in state court) subjecting it to potentially millions of dollars of damages. Anyone can surely "fathom" the impact of the court of appeals' decision on the incentive to invent.

3. This Court's intervening decision in *AT&T*, 524 U.S. ___, 118 S. Ct. 1956, pinpoints the Federal Circuit's error in allowing Dow's tortious interference claim to proceed. In that case, this Court unanimously concluded that a plaintiff was preempted by the filed-rate doctrine inherent in the Communications Act from proceeding with a contract action against AT&T to gain discriminatory rate advantages over other customers. Importantly here, there was also unanimous agreement that a related state law claim based on AT&T's alleged tortious interference with contractual relations would be preempted, if it were "wholly derivative" of the preempted contract claim. 118 S. Ct. at 1964 (majority opinion, the "tortious-interference claim [was preempted] because [it] is wholly derivative of the contract claim"); *id.* at 1966 (Chief Justice Rehnquist concurring); *id.* at 1967 (Justice Stevens dissenting, but noting that "[e]veryone agrees that [plaintiff's] tortious interference claim would be barred . . . if it is 'wholly derivative of the contract claim'").

Here, Dow's tortious interference claim is "wholly derivative" of the unquestionably preempted claim that Exxon engaged in inequitable conduct before the PTO.[8/] The district court held that Dow had conceded that its claim was based

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[8/] *See* p. 8, n.4, discussing the panel majority's acknowledgement that Dow is preempted from seeking damages solely for this alleged misconduct.

"solely" on such misconduct, Dow did not dispute the district court's holding in this regard on appeal, and the Federal Circuit panel majority agreed that "without the alleged inequitable conduct before the PTO there would likely be inadequate proof of bad faith" to sustain Dow's tortious interference claim (App. 17a). Thus, Dow's state law damages claim is preempted for the same reason as the similar claim in *AT&T*.

II. THE FEDERAL CIRCUIT IGNORED THIS COURT'S DECISION IN *WALKER PROCESS* WHEN IT PERMITTED A CAUSE OF ACTION FOR DAMAGES TO PROCEED BASED ONLY ON INEQUITABLE CONDUCT

In *Walker Process Equip., Inc.* v. *Food Machinery & Chemical Corp.*, 382 U.S. 172, 177 (1965), this Court held that only "knowing and willfully misrepresenting facts to the [PTO]" could remove the exemption from federal antitrust treble damage liability that a patent necessarily confers. In his influential concurring opinion,[9/] Justice Harlan made it clear that suits for such relief could be pursued only against patentholders who had "knowingly practiced under the guise of a patent procured by *deliberate fraud*," *id.* at 179-80 (emphasis added), as opposed to conduct that "for one reason or another may turn out to [make a patent] . . . voidable," *id.* at 180.

Although Judge Lourie's dissent objected to the panel

[9/] Justice Harlan's concurrence has been cited repeatedly by courts applying *Walker Process*. *See e.g.*, *Professional Real Estate Investors, Inc.* v. *Columbia Pictures, Inc.*, 508 U.S. 49, 61, n.6 (1993); *Nobelpharma A.B.* v. *Implant Innovations, Inc.*, 141 F.3d 1059, 1069 (Fed. Cir. 1998), *petition for cert filed*, July 27, 1998; *Hydranautics* v. *Filmtec Corp.*, 70 F.3d 533, 538 (9th Cir. 1995).

majority's disregard of *Walker Process* (App. 23a) and Exxon's rehearing petition was primarily devoted to that issue, both the panel majority and the judges voting to deny Exxon's petition simply ignored *Walker Process*. In so doing, the Federal Circuit has sanctioned the imposition of damages liability for obtaining and enforcing a patent without the fraud required by *Walker Process*.

1. Dow's allegations regarding Exxon's behavior at the PTO recite only that Exxon was guilty of "inequitable conduct before the PTO, thereby making the '783 patent unenforceable." (A. 1342 ¶ 35). As required by the Federal Circuit's current view of that doctrine, Dow made the obligatory allegation that Exxon was guilty of inequitable conduct, because it "acted with an intent to deceive the PTO" by virtue of various purported failures to disclose prior art.[10/] (A. 1343 ¶ 35a). Beyond that, Dow alleges only that Exxon did not act "in good faith" because it "should have known" or "on information and belief . . . actually knew" that Dow did not infringe "any valid *and enforceable claims* of the '783 patent" (A. 1346 ¶ 42, emphasis supplied) — *i.e.*, any claims of the patent that were not rendered unenforceable by virtue of inequitable conduct. This allegation merely imputes to Exxon, after it obtained its patent, the same state of mind that it allegedly had at the time of its alleged inequitable conduct at the PTO. The word "fraud" nowhere appears in Dow's complaint nor does Dow satisfy the requirements imposed by Fed. R. Civ. P. 9(b) to state "all averments of

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[10/] *See* App. 12a, n.4 where the panel majority notes that proof of inequitable conduct requires the showing of "an intent to deceive," citing *Kingsdown Med. Consultants Ltd.* v. *Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988).

fraud . . . with particularity."[11/] The Federal Circuit's authorization of Dow's damages action against Exxon based only on inequitable conduct, as opposed to fraud, cannot be squared with *Walker Process*.

More than 50 years ago, this Court recognized that the inequitable conduct defense in patent cases arises from the "clean hands" requirement of equity and that "one's misconduct need not necessarily have been of such a nature as to . . . justify legal proceedings of any character" in order to "transgress equitable standards of conduct." *Precision Instr. Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945). Accordingly, the Federal Circuit, as well as other courts which have considered the matter, recognize that "inequitable conduct is a broader, more inclusive concept than the common law fraud needed to support a *Walker Process* counterclaim." *Nobelpharma*, 141 F.3d at 1069. *See also id.* ("[i]nequitable conduct in fact is a lesser offense than common law fraud, and includes types of conduct less serious than 'knowing and willful' fraud"); *Cataphote Corp.* v. *DeSoto Chem. Coatings, Inc.*, 450 F.2d 769, 772 (9th Cir. 1971) (*Walker Process* fraud "can mean no less than clear, convincing proof of intentional fraud involving affirmative dishonesty, 'a deliberately planned and carefully executed scheme to defraud,'" quoting *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238, 245 (1944)).

[11/] *See Stern* v. *General Elec. Co.*, 924 F.2d 472, 476 (2nd Cir. 1991) ("[i]n a federal complaint, . . . while bad faith 'may be averred generally,' allegations of fraud must be supported by particular statements indicating the factual circumstances on which the theory of fraud is based"). Indeed, Dow's statement in ¶ 42 of its complaint (A. 1346) that its allegations of Exxon's actual knowledge of the invalidity or unenforceability of its patent are made "on information and belief" is per se insufficient to satisfy Rule 9(b). *Id.* at 477; *Kowal* v. *MCI Communications Corp.*, 16 F.3d 1271, 1279, n.3 (D.C. Cir. 1994).

2. The Federal Circuit's disregard of *Walker Process* in authorizing a state law damages action for the enforcement of a patent allegedly obtained by inequitable conduct was not — nor could it have been — explained by that court on the ground that this case involves preemption, rather than antitrust law. *Walker Process* is not based on an interpretation of the Sherman Act. Rather, its rigorous requirement of proof of actual fraud is grounded upon an interpretation of the federal patent laws as protecting patentees from exposure to damage actions resulting from their enforcement of legally-issued patents.

As Justice Harlan explained in his concurrence, the patent laws must afford this protection to avoid "chill[ing] the disclosure of inventions through the obtaining of a patent" that would otherwise arise because of patentees' "fear of the vexations or punitive consequences of treble-damage suits " 382 U.S. at 180. *See also CVD, Inc.* v. *Raytheon Co.*, 769 F.2d 842, 850 (1st Cir. 1985) ("[t]he requirement of clear and convincing evidence [of *Walker Process* fraud] is intended to prevent a frustration of the patent laws"); *Korody-Colyer Corp.* v. *General Motors Corp.*, 828 F.2d 1572, 1578 (Fed. Cir. 1987) (difference between inequitable conduct and *Walker Process* fraud reflects the fact "that in the former instance a party raises a shield and in the latter instance a party unsheathes a sword").

In *Walker Process*, this Court held that the patent laws displace antitrust law to the extent necessary to avoid conflict with the patent laws' primary objective of encouraging inventions. For the same reason and to the same extent, those laws should preempt state law causes of action that conflict with this federal objective. *Cf. Linn* v. *United Plant Guard Workers of America*, 383 U.S. 53, 65 (1965) (state law libel action in labor relations context requires proof of actual malice to avoid preemption by National Labor Relations Act).

III. THE FEDERAL CIRCUIT'S CREATION OF A NEW FIELD OF PATENT DAMAGES LITIGATION JUSTIFIES THIS COURT'S EXERCISE OF ITS CERTIORARI JURISDICTION

Judge Lourie's dissent from the Federal Circuit's refusal to rehear in banc the decision of the panel majority in this case emphatically identifies the adverse consequences of that decision (App. 44a):

> A whole new field of litigation will be opened up. State Courts will be rendering judgments that may be in conflict with a federal judgment. New questions of standing will have to be settled, determining whether unfair competition and hence inequitable conduct can be raised by one not accused of infringement. Inequitable conduct has been spoken of as a "plague" in the patent system. That plague will now infect the states. The panel's decision is a Pandora's box full of mischief — unnecessary, unjustified, and unwise.[12/]

The judges on the Federal Circuit who considered the concerns expressed by Judge Lourie in his opinion were evenly divided as to whether that court should assemble in banc to deal with the "mischief" created by the panel

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[12/] Judge Clevenger's concurring opinion sought to alleviate the dissenters' fears by arguing that the claims authorized by the panel majority can be removed to a federal district court for ultimate review in the Federal Circuit. (App. 42a). Assuming it is correct, *see* p. 18, n.14, this argument proves only that the "whole new field of litigation" unleashed by the Federal Circuit will take place in federal courts.

majority's decision. Standing alone, that makes this case an appropriate one for this Court's exercise of its certiorari jurisdiction over the Federal Circuit.[13/] The fact that the "Pandora's box" and "plague" described by Judge Lourie resulted from the panel majority's misunderstanding or disregard of two separate lines of this Court's controlling authorities *a fortiori* should lead this Court to grant certiorari.

Any hope that the Federal Circuit would avoid the adverse consequences of its decision in this case through subsequent opinions in other cases was obliterated by *Hunter Douglas, Inc.* v. *Harmonic Design, Inc.*, 1998 WL 481072 (Fed. Cir. Aug. 18, 1998). The opinion in that case, which was written by Judge Clevenger and joined by one of the dissenters in this case (Judge Bryson) and another who had recused himself (Judge Gajarsa), applied the decision in this case as the law of the circuit. Accordingly, the Federal Circuit reaffirmed that a plaintiff can allege merely inequitable conduct before the PTO and bad faith provision of infringement notices in pursing state law damages claims against patentholders.[14/]

Hunter Douglas recognizes — in ways that the opinion in this case did not — that the essential preemption question is whether a patentee's federally protected activity of providing

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[13/] *See e.g.*, *Pfaff* v. *Wells Electronics, Inc.*, 118 S. Ct. 1183 (1998) (certiorari granted to clarify scope of "on sale" bar to patent protection); *Warner-Jenkinson Co.* v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) (application of the doctrine of equivalents in patent litigation); *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370 (1996) (claim construction in patent litigation).

[14/] Judge Clevenger's opinion for the Court in *Hunter Douglas* also establishes as law of the circuit his view in this case, *see* p. 17, n.12, that federal district courts have exclusive jurisdiction over such state law claims under 28 U.S.C. § 1338. 1998 WL 481072 at *11-*13.

infringement notices can result in liability under state law. *Id.* at *19. However, its conclusion that bad faith is sufficient to sustain such liability is not supported by any reasoning or authority.[15/] Moreover, while the Federal Circuit in this case simply ignored *Walker Process*, in *Hunter Douglas* it recognized that *Walker Process* requires "knowing and willful fraud" for damages liability based solely upon a patentholders' conduct before the PTO. However, the Federal Circuit has never explained why it selected the less demanding "bad faith" standard as the touchstone for determining preemption of state law damages claims that are also based upon infringement notices. *Id.* at *19-*20.

Hunter Douglas shows that the Federal Circuit is firmly set on the road leading to the "whole new field of litigation" decried by the dissenters in this case. From now on, absent corrective action by this Court, patentees can be hauled into court and drawn into extended litigation merely upon allegations of garden-variety inequitable conduct at the PTO and lack of "good faith" in their provision of infringement notices. This Court should grant Exxon's petition for certiorari to determine the propriety of this radical expansion of patent-related litigation.

[15/] Certainly, the Federal Circuit's reliance, *id.* at *18, on this Court's decision in *Linn*, 383 U.S. at 65, where plaintiffs were required to show actual malice in a state libel action to avoid preempted conflict with the National Labor Relations Act, does not support a bad faith exception that allows unfair competition claims to proceed under state law. *See e.g.*, *Masson* v. *New Yorker Magazine, Inc.*, 501 U.S. 496, 510 (1991) ("actual malice" test is more stringent than "evil intent or motive"). Moreover, all of the cases cited in *Hunter Douglas* recognize a patentee's right to provide notice to potential infringers, 1998 WL 481072 at *19; none held that the bad faith provision of notice exposes the patentholder to state law damages liability.

CONCLUSION

For the reasons stated above, the petition should be granted.

Respectfully submitted,

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August 1998

APPENDIX

United States Court of Appeals for the Federal Circuit

97-1347, -1351

THE DOW CHEMICAL COMPANY,

Plaintiff-Appellant,

v.

EXXON CORPORATION
and EXXON CHEMICAL PATENTS, INC.,

Defendants/Cross-Appellants.

Decided: March 24, 1998

Before Michel, Lourie, and Clevenger, *Circuit Judges*.

Opinion for the court filed by Circuit Judge MICHEL. Circuit Judge LOURIE dissents in part.

MICHEL, *Circuit Judge*.

Plaintiff-Appellant, The Dow Chemical Company ("Dow"), appeals from a final judgment of the United States District Court for the District of Delaware, entered on March 20, 1997, dismissing Dow's state law unfair competition claim against Exxon Corporation ("Exxon Corp.") because no justiciable issues remained in the case and denying Dow's claim for attorney fees pursuant to 35 U.S.C. § 285 because the requisite exceptional circumstances had not been shown to exist. *Dow Chem. Co. v. Exxon Corp.*, No. 94-572-SLR (D.

Del. Mar. 20, 1997). Exxon Corp. and Exxon Chemical Patents, Inc. ("ECPI") (together, "Exxon") cross-appeal the district court's order entered on September 24, 1996, dismissing ECPI from the case due to ECPI not being found an indispensable party pursuant to Fed. R. Civ. P, 19(b). *Dow Chem. Co. v. Exxon Chem. Patents, Inc.*, No. 94-572-SLR (D. Del. Sept. 24, 1996). Both Dow's appeal and Exxon's cross-appeal were timely filed and this case was submitted for our decision following oral argument on January 6, 1998.

Because Dow's state law unfair competition claim was not conterminous with a claim of inequitable conduct and was not otherwise preempted by the federal patent laws, we reverse the district court's dismissal of that claim and remand for further proceedings. However, because the district court did not commit clear error in finding that there were no exceptional circumstances, we affirm the district court's judgment to the extent it denied Dow an award of attorney fees. In addition, because ECPI was properly found not to be an indispensable party, we affirm the district court's dismissal of ECPI from the case.

BACKGROUND

U.S. Patent No. 5,246,783 (the "'783 patent") was issued to Lawrence Spenadel, Monica L. Hendewerk and Aspy K. Mehta on September 21, 1993, and assigned to ECPI. ECPI, a Delaware corporation, is a wholly owned subsidiary of Exxon Corp., a New Jersey corporation with its principal place of business in Texas. ECPI's '783 patent discloses certain wire and cable devices manufactured using a particular insulating polymer. Such devices are commonly used to transmit electrical power to residential and business consumers. Exxon Corp. manufactures the polymer used in the patented devices under the trade names VISTALON™ and

EXACT™. At about the same time the '783 patent was issued, Dow, a Delaware corporation with its principal place of business in Michigan, introduced its first line of "ITP" polymer products under the trade name AFFINITY™. By February 1994, Dow had introduced a second line of ITP products, known as ENGAGE™, with two polymers specifically for cable use. By June 1994, Dow had also developed a third ENGAGE™ product designed for cable and wire use. Subsequently, Dow introduced further ENGAGE™ products as well as a line of polymers, the Nordel IP polymers, for use in wire and cable devices.

On October 25, 1994, Dow filed an action against Exxon in the United States District Court for the District of Delaware. The complaint consisted of two counts. Count I was for a declaratory judgment that certain polymers made by Dow for wires and cables did not infringe the '783 patent. This count also contained an allegation that the '783 patent was invalid and unenforceable. Count 11 was a state law claim for unfair competition based upon alleged threats by Exxon, made in meetings and by letter, to sue prospective and actual Dow ENGAGE™ customers for infringement of the '783 patent. Count II was later amended to allege that Exxon had no good faith belief that Dow infringed the patent when Exxon made those threats. In a second amendment to Count II, Dow alleged that Exxon obtained the '783 patent by inequitable conduct before the Patent and Trademark Office (the "PTO"). The alleged inequitable conduct was that Exxon claimed its polymers were superior in various electrical tests to the prior art while withholding its knowledge of a group of polymers, sold by Mitsui Petrochemical Industries, Ltd. under the trade name TAFMER™, which reputedly could achieve the same or better results than the Exxon polymers and which allegedly anticipated the claims in the '783 patent.

On August 5, 1996, Exxon filed a "Statement of Non-

Liability" with the district court which gave Dow and its customers, at no cost, perpetual immunity from suit for infringement of the '783 patent. As a result of the filing of this Statement of Non-Liability, the district court dismissed Count I of Dow's complaint in an Order entered on September 24, 1996. *Dow Chem. Co. v. Exxon Chem. Patents, Inc.*, No. 94-572-SLR (D. Del. Sept. 24, 1996). This same Order also dismissed ECPI from the litigation. The district court did not deem ECPI an "indispensable" party to the action pursuant to Fed. R. Civ. P. 19(b) because, "as a practical matter, Exxon [Corp.] has both the duty and the capability of protecting ECPI's interests. Joinder, therefore, is not required." *Dow*, slip op. at 12 (D. Del. Sept. 24, 1996) (footnote omitted).

After further briefing, the district court held in a Memorandum Order entered November 26, 1996, that Dow would not be permitted to present evidence of Exxon's alleged inequitable conduct in connection with its remaining state law unfair competition claim.[1/] *Dow*, slip op. at 6-7 (D. Del.

[1/] The district court declined to determine which state's law would apply and instead relied upon the standard set forth for a common law claim of intentional interference with contractual relations in *Restatement (Second) of Torts* §§ 766, 766B (1979). For purposes of deciding the federal preemption issue in this appeal, we accept the district court's definition of the elements of the common law claim. The *Restatement* recites with regard to the tort of intentional interference with the performance of a contract:

> One who intentionally and improperly interferes with the performance of a contract . . . between another and a third person by inducing or otherwise causing the third person not to perform the contract, is subject to liability to the other for the pecuniary loss resulting to the other from the failure of the third person to perform the contract.

(continued...)

Nov. 26, 1996). The district court posited that "[t]he question for the court, then, is whether issues of patent validity, and specifically of Exxon's alleged inequitable conduct, may be decided in the context of a business tort claim where all claims arising directly under the patent laws have been dismissed." *Id.* at 3-4. The court explained that its decision to exclude evidence of inequitable conduct relied upon precedent indicating that a court should not reach beyond the scope of a given controversy to invalidate a patent. *Id.* at 5 (citing *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1575, 37 USPQ2d 1626, 1631 (Fed. Cir. 1996); *Vieau v. Japax. Inc.*, 823 F.2d 1510, 1517-20, 3 USPQ2d 1094, 1100-02 (Fed. Cir. 1987)). Thus, the district court "decline[d] to allow what in essence is a patent trial to proceed in the guise of a business tort trial." *Id.* at 6. In addition, the district court further declared that the presumptive validity attaching to patents meant that "a patent owner who exercises the right to exclude others from using the invention is presumed to be acting in good faith, even if the Patent is later deemed invalid or unenforceable." *Id.* (citing *Concrete Unlimited, Inc. v. Cementcraft. Inc.*, 776

[1/](...continued)

Id. § 766. With regard to intentional interference with prospective contractual relations, it provides:

> One who intentionally and improperly interferes with another's prospective contractual relation . . . is subject to liability to the other for the pecuniary harm resulting from loss of the benefits of the relation, whether the interference consists of
> (a) inducing or otherwise causing a third person not to enter into or continue the prospective relation or
> (b) preventing the other from acquiring or continuing the prospective relation.

Id. § 766B.

F.2d 1537, 1539, 227 USPQ 784, 785 (Fed. Cir. 1985)). Hence, the court reasoned:

> [the patentee in *Concrete Unlimited*] 'had the right to exclude others from making, using, and selling the invention and to enforce those rights *until the . . . patent was held invalid.*' This proposition appears to apply even where, as in *Concrete Unlimited*, the plaintiff alleges that the patent was obtained by inequitable conduct. Thus, it appears that an unfair competition claim based solely on the defendant's assertion of patent rights allegedly obtained through inequitable conduct could not, as a matter of law, succeed.

Id. at 6 (alteration in original) (citation omitted). Consequently, because "Dow . . . conceded that inequitable conduct before the PTO is the sole basis for its [unfair competition] claim" the court concluded that no triable issues remained and dismissed the case in its entirety in an order entered on March 20, 1997. *Dow*, slip op. at 2 (D. Del. Mar. 20, 1997).

In its accompanying Memorandum Order, the district court also denied Dow's claim for attorney fees under 35 U.S.C. § 285. *Id.* The court held that Dow was not the prevailing party in Count II and that, because there were not exceptional circumstances warranting an award of attorney fees, it was unnecessary to determine whether Dow was the prevailing party in Count I. *Id.*

On appeal, Dow argues that the district court should have adjudicated its state law claim for unfair competition and so erred by dismissing Count II merely because the claim implicated the issue of inequitable conduct. Dow also contends that it was the prevailing party in Count I and that this court should remand the issue of whether there were

exceptional circumstances to the district court with instructions to consider Exxon's alleged inequitable conduct in its determination. Exxon cross-appeals, arguing that, even if this court finds that the district court should have adjudicated the unfair competition claim, the district court still should have dismissed the case because ECPI was an indispensable party whose joinder would destroy diversity.

ANALYSIS

I

The principal problem presented to the court is whether state courts, or federal courts adjudicating state law claims, may hear a state law tort claim for intentional interference with actual and prospective contractual relations that implicates the patent law issue of inequitable conduct or, alternatively, whether such a claim is preempted by the federal patent law. We hold that such a state law tort claim is not preempted by the federal patent law, even if it requires the state court to adjudicate a question of federal patent law, provided the state law cause of action includes additional elements not found in the federal patent law cause of action and is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law.

Article I, Section 8, Clause 8, of the United States Constitution grants Congress the power "[t]o promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Under this authority, Congress enacted the federal Patent Act, 35 U.S.C. §§ 1-376 (1994). Pursuant to the Supremacy Clause, U.S. Const. art. VI, cl. 2, state causes of action are preempted if they stand "as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress" in enacting a statute.

Hines v. Davidowitz, 312 U.S. 52, 67 (1941).

The Supreme Court has provided substantial guidance as to what constitutes such an impermissible "obstacle" to the accomplishment and execution of the patent laws. In *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), two cases decided on the same day, the Supreme Court held that state law unfair competition statutes that prohibited (on passing-off grounds) the sale of lamps that were confusingly similar to unpatentable lamps already in the marketplace were unconstitutional under the Supremacy Clause. As the *Sears, Roebuck* Court explained:

> To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that . . . States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated.

376 U.S. at 231-32. However, the Court also made clear that state law remedies for wrongs involving patented or patentable products were not altogether precluded. As the Court declared:

> Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so

> as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.

Id. at 232.

Further instruction on the constitutional limits on state law remedies was provided by *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). In *Kewanee*, the Supreme Court held that Ohio's law of trade secrets, which, *inter alia*, granted monopoly protection to processes and manufacturing techniques that had been in commercial use for over one year but were otherwise patentable, was not preempted by the federal Patent Act. *See id.* at 474. The Court's analysis of the permissible reach of state regulation focused on whether the Ohio statute "'clashes with the objectives of the federal patent laws.'" *Id.* at 480 (quoting *Sears, Roebuck*, 376 U.S. at 231). These objectives the *Kewanee* Court found to be threefold: providing an incentive to invent, promoting the full disclosure of inventions, and ensuring that "that which is in the public domain cannot be removed therefrom by action of the States." Id. at 480-81. The Court concluded that the Ohio trade secrets statute did not offend the first and third of these objectives and, while it did not promote full disclosure of inventions, the Court reasoned that its effect would be minimal given that few inventors with patentable subject matter would opt for the relatively weak protections of the trade secrets statute. *See id.* at 483-91. Thus, the Ohio trade secrets statute was held not to be preempted by federal patent law. *See id.* at 493.

The Supreme Court applied the same three-factor test in *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). In *Aronson*, although the licensor's patent application was rejected, the Court explained that enforcement of royalty agreements on intellectual property under state contract law was not preempted regardless of whether that intellectual

property consisted of patentable subject matter. *See id.* at 262. As the Court reasoned, "[c]ommercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law." *Id.*

Finally, in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), the Supreme Court reviewed a Florida statute prohibiting the use of a "direct molding process" to recreate the boat hull designs of others and creating a civil cause of action against anyone who knowingly sold a hull so duplicated. *Id.* at 144-45. The Court reiterated its holdings in *Sears, Roebuck* and *Kewanee*, pointing out that in those cases, "state protection was not aimed exclusively at the promotion of invention itself, and the state restrictions on the use of unpatented ideas were limited to those necessary to promote goals outside the contemplation of the federal patent scheme." *Id.* at 166.[2/] Thus, because the "Florida statute [was] aimed directly at the promotion of intellectual creation by substantially restricting the public's ability to exploit ideas that the patent system mandates shall be free for all to use," the Supreme Court struck down the statute as preempted by the federal patent laws. *Id.* at 167.

Under the standard mandated by the Supreme Court, the state law cause of action at issue here does not present an "obstacle" to the execution and accomplishment of the patent laws.[3/] None of the three factors identified in Kewanee are

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[2/] Of course, as noted earlier, preemption was found in *Sears, Roebuck*.

[3/] Based upon the record from the district court we assume that the state law cause of action presented here is identical to that described by (continued...)

implicated by a state tort remedy for intentional interference with actual and prospective contractual relations in instances where the tortfeasor's threats to sue were based upon infringement of a patent obtained by inequitable conduct. It is difficult to fathom how such a state law cause of action could have any discernible effect on the incentive to invent, the full disclosure of ideas, or the principle that ideas in the public domain remain in the public domain. Indeed, it seems most improbable that an inventor would choose to forfeit the benefits of patent protection because of fear of the risk of being found tortiously liable based upon attempting to enforce a patent obtained by inequitable conduct. Moreover, a key purpose behind this tort is the protection of the integrity of commercial contracts which, as noted above, "traditionally are the domain of state law." *Aronson*, 440 U.S. at 262; *see generally*, W. Page Keeton et al., *Prosser and Keeton on the Law of Torts* 978 (1984) ("The law of interference with contract is thus one part of a larger body of tort law aimed at protection of relationships, some economic and some personal." (footnotes omitted)). The tort plainly does not seek to offer patent-like protection to intellectual property inconsistent with the federal scheme.

While it is true that, under the facts of this case, the "state court" would be required to make a determination of an issue of patent law in reaching its judgment on the underlying tort, this determination would only be ancillary to its central

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[3/](...continued)
Restatement (Second) of Torts §§ 766, 766B (1979), for intentional interference with actual and prospective contractual relations. *See supra* note 1.

purpose.[4/] In any case, it is well established that a state court has authority to adjudicate patent questions so long as the action itself does not arise under the patent laws. *See, e.g.*, *Hathorn v. Lovorn*, 457 U.S. 255, 266 n.18 (1982) ("We frequently permit state courts to decide 'collaterally' issues that would be reserved for the federal courts if the cause of action arose directly under federal law. For example, the state courts may decide a variety of questions involving the federal patent laws."); *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 919 F.2d 726, 728, 16 USPQ2d 1972, 1974 (Fed. Cir. 1990) ("[A]lthough a state court is without power to invalidate an issued patent, there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding."); *Intermedics Infusaid, Inc. v. Regents of the Univ. of Minn.*, 804 F.2d 129, 132-33, 231 USPQ2d 653, 656 (Fed. Cir. 1986) ("[T]here are no policies reflected in acts of Congress which require that the federal courts enjoin . . . a state court contract suit seeking royalties payable under a patent license wherein the state court is or could be asked by the defendant to rule on the validity of

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[4/] However, we note that the "state court" would be required to make its inequitable conduct determination in accordance with federal law. We further note that the evidentiary and discretionary requirements necessary for a finding of inequitable conduct are stringent. Indeed, it is necessary to prove with clear and convincing evidence both materiality and an intent to deceive. *See Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988). Even upon such a threshold showing, "the ultimate question of whether inequitable conduct occurred is equitable in nature" and the trial court must use its sound discretion to determine whether, based upon the relative degrees to which the materiality and intent exceed the threshold, a finding of inequitable conduct is warranted under the unique circumstances of that case. *Id.* at 876. The cautious exercise of that discretion is imperative given that a finding of inequitable conduct has the drastic effect of rendering the entire patent unenforceable. *Id.* at 877. We need not address what preclusive effect, if any, such a state court determination would have on subsequent federal litigation.

the patent."). This analysis remains unchanged regardless of whether the state law claim is grounded in contract or tort. *See, e.g., American Well Works v. Layne & Bowler Co.*, 241 U.S. 257, 259 (1916) (suit for libel or slander based upon an allegation of infringement sounded in tort and did not arise under the patent laws); *Gilson v. Republic of Ir.*, 787 F.2d 655, 657-58, 229 USPQ 460, 462 (D.C. Cir. 1986) (claim for misappropriation of rights under a patent license sounded in tort and did not arise under the patent laws).

The case chiefly relied upon by the district court for its holding that "it appears that an unfair competition claim based solely on the defendant's assertion of patent rights allegedly obtained through inequitable conduct could not, as a matter of law, succeed" was *Concrete Unlimited v. Cementcraft, Inc.*, 776 F.2d 1537, 227 USPQ 784 (Fed. Cir. 1985).[5/] *Dow*, slip op. at 6 (D. Del. Nov. 26, 1996). It is worth noting that Exxon quite pointedly avoided basing its argument for affirmance on this case. In *Concrete Unlimited*, this court reversed the district court's judgment of "unfair competition by taking business away from the Defendant by threats and infringement actions based on the fraudulently obtained patent." *Concrete Unlimited*, 776 F.2d at 1539, 227 USPQ at

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[5/] The other two cases relied upon by the district court are of less significance. The court relied upon *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517-20, 3 USPQ2d 1094, 1100-02 (Fed. Cir. 1987), for the proposition that a court should not reach beyond the scope of a given controversy to invalidate a patent. *Dow*, slip op. at 5 (D. Del. Nov. 26, 1996). However, *Vieau* did not concern any causes of action under state law. The other case relied upon by the district court was *Pro-Mold and Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 37 USPQ2d 1626 (Fed. Cir. 1996). *Pro-Mold* held that enforcing a patent obtained by inequitable conduct did not constitute unfair competition for purposes of section 43(a) of the Lanham Act. *See id.* at 1575, 37 USPQ2d at 1631. However, *Pro-Mold* offers no guidance as to the effect of inequitable conduct on state law causes of action for intentional interference with contractual relations.

785 (internal quotation marks omitted). This court held that the patent-holder had the right to enforce its patent until the patent was found invalid and that such enforcement did not constitute unfair competition. *See id.* Significantly, the district court had held the patent-holder had *not* engaged in inequitable conduct (although the patent was held to be invalid for obviousness) and this ruling was not disturbed by this court. *See id.* at 1538, 227 USPQ at 785; *Concrete Unlimited, Inc. v. Cementcraft, Inc.*, No. 81-6083-CIV-GONZALEZ, slip op. at 2 (S.D. Fla. Jan. 13, 1985). Thus, in *Concrete Unlimited*, the good faith enforcement of a patent was held not to constitute unfair competition. The instant case, however, concerns an allegation of bad faith enforcement of a reputedly unenforceable patent. Unlike *Concrete Unlimited*, the tortfeasor here allegedly knew that its patent was unenforceable when it engaged in market misconduct. Indeed, without such knowledge there would be no actionable wrong.[6/] Consequently, we do not read *Concrete Unlimited* to suggest that a claim of unfair competition predicated in part on inequitable conduct could not, as a matter of law, succeed and, in any case, we do not agree with the district court that this particular state law cause of action turned "solely" on inequitable conduct.

Nor do we agree with Exxon that the disputed cause of action is an impermissible alternative state law remedy for inequitable conduct before the PTO as prohibited by *Abbott*

[6/] We note that, to survive a motion a motion for summary judgment, more than a mere allegation of knowledge of the patent's unenforceability would be required. *See* Fed. R. Civ. P. 56(e) ("When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial.").

Laboratories v. Brennan, 952 F.2d 1346, 21 USPQ2d 1192 (Fed. Cir. 1991). In *Abbott Laboratories*, we held that a state tort action for abuse of process could not "be invoked as a remedy for inequitable or other unsavory conduct of parties to proceedings in the Patent and Trademark Office." *Id.* at 1355, 21 USPQ2d at 1200. Such a tort claim "would be an inappropriate collateral intrusion on the regulatory procedures of the PTO . . . and is contrary to Congress' preemptive regulation in the area of patent law." *Id.* at 1357, 21 USPQ2d at 1201 (citation omitted). However unlike the common law abuse of process claim at issue in *Abbott*, the tort claim asserted here for intentional interference with actual and prospective contractual relations is not an alternative or additional remedy for inequitable conduct before the PTO. In *Abbott*, the abuse of process claim at issue was based entirely upon bad faith misconduct before the PTO. Indeed, the wrong alleged and for which state law tort damages were sought was no more than bad faith misconduct before the PTO. However, the tort claim at issue here is not premised upon bad faith misconduct in the PTO, but rather is premised upon bad faith misconduct in the marketplace. Unlike the abuse of process claim in dispute in *Abbott*, a tort claim for intentional interference with contractual relations requires elements entirely different to those required for inequitable conduct before the PTO. Thus, for example, it requires that the tortfeasor have knowledge of the contractual relationship with which he is interfering and that he commit an act of intentional inducement to harm that relationship. *See Restatement (Second) of Torts* § 766, cmts. h, i. These required elements take place in the marketplace, not before the PTO. Indeed, the tort can be made out without there being any misconduct whatsoever in the PTO. Thus, for example, a holder of a valid and enforceable patent who knowingly brings baseless infringement actions against a competitor's customers might also be subject to such tort liability. Accordingly, because it requires entirely different elements to

establish a prima facie state tort action for intentional interference with contractual relations, it plainly is not a preempted alternative or additional state law remedy for inequitable conduct. Rather it is a long-established independent tort remedy for improprieties in the marketplace.

Moreover, any notion that *Abbott* suggested that state tort remedies for intentional interference with contractual relations are preempted by the federal patent laws must surely be dispelled by the fact that in *Abbott* the appellant also brought a counterclaim for intentional interference with contractual relations. On appeal, this court upheld the trial court's decision not to grant a new trial because of the alleged inadequacies in the jury instructions regarding causation. *Abbott*, 952 F.2d at 1353, 21 USPQ2d at 1198. Despite the question of preemption being squarely at issue with regard to the abuse of process claim, neither the cross-appellant nor this court sought to suggest that such a cause of action was preempted. Consequently, we simply do not see how Abbott can be read to suggest that the tort of intentional interference with contractual relations is preempted by the federal patent laws.

The dissent suggests that the state tort of interference with contractual relations is based essentially on an assertion of inequitable conduct and amounts to little more than an attempt to use state law to derive a damages remedy for inequitable conduct. Although acknowledging that the tort has additional elements, the dissent posits that to focus on such differences "merely masks the real issue." In our judgment, however, these different elements are the primary issue. The tort occurs not in the PTO, but later in the marketplace.

A state has every right to protect its citizens and residents in their contractual relations from acts of wrongful interference inside its borders by any party, including a

patentee. Moreover, as noted earlier, the Supreme Court has recognized that the protection of commercial, contractual relations is primarily the concern of state law. Any award of damages, then, would be based on local conduct that the state has a right to regulate; proof of acts before the PTO in such a trial are merely evidence of a patentee's bad faith in its subsequent contacts with customers.

Bad faith in turn is only one of three elements that must be established to make out the tort. As noted earlier, the other two are the interfering communications themselves and the disruption and damages therefrom. Nor does the tort simply duplicate federal remedies under patent law as urged by the dissent. The remedy available for proven inequitable conduct is a holding of unenforceability of the patent in federal court; the remedy at law for tortious interference is money damages in state court. Thus, the wrongful acts, the remedies and the forum are all different. In short, we cannot agree with the dissent's characterization of the tort asserted here as based essentially on an assertion of inequitable conduct. Rather, we see the tort as based essentially on bad faith communications that interfere with contractual relations. It is true, however, that in this case without the alleged inequitable conduct before the PTO there would likely be inadequate proof of bad faith. Nevertheless, that the source of proof of bad faith, just one element of the tort, was purported inequitable conduct before the PTO, does not make this tort a patent issue preempted by federal law.

The dissent further suggests that it is undesirable for inequitable conduct to be addressed during trial of a state law cause of action. However, that cannot trump the right of the state to consider inequitable conduct as evidence of wrongful intent in a tort case, any more than it would preclude the state court from addressing the validity of a patent in a contract case. We simply do not see how the "bright line rule" desired

by the dissent is either plain in application or possible under our federal patent system and settled case law.

Any argument that this state law cause of action provides a duplication of federal remedies that could lead to conflicting results is similarly unfounded. The tort of intentional interference with contractual relations is a remedy of money damages for improper behavior by competitors in the marketplace. The tort at issue covers all types of commercial actors and does not single out patent-holders for either increased deference or additional scrutiny. Inequitable conduct, however, provides a defense to those accused by a patent-holder whose patent was obtained by improper conduct in the PTO and provides the specific relief of making the patent unenforceable. Far from being a duplication of remedies, the state tort and the federal defense address entirely different wrongs and also provide different forms of relief. In addition, given that, as discussed earlier, it is well-established that issues of validity and enforceability may be adjudicated in licensing disputes governed by state law and thus yield conflicting results, it seems somewhat unpersuasive to suggest that the possibility of conflicting results raised by this case is an adequate ground for preemption.

Finally, we do not agree with the suggestion that by allowing Dow to litigate its claim for intentional interference with contractual relations we would be creating a new cause of action. The tort of intentional interference with actual and prospective contractual relations is a cause of action that has ancient origins. Prosser and Keeton trace its development from the right of the *pater-familias* in early Roman law to bring an action for any harm done to his family, slaves or other members of his establishment through to the Ordinance of Labourers enacted in England in 1349 which gave employers a cause of action against those who employed their

runaway servants.[7] *See* W. Page Keeton et al., *Prosser and Keeton on the Law of Torts* 979-80 (1984). Although American courts were at first reluctant to recognize the tort, "the tort is now recognized virtually everywhere as to any contract, regardless of its character." *Id.* at 981. As we have recognized with regard to licensing agreements, it is generally state law, not federal patent law, that governs contractual disputes even when patent issues must be adjudicated because patents are involved in the subject matter of those contracts. Similarly here, state law governs the maintenance of orderly contractual relations and this function is not preempted merely because patents and patent issues are presented in the substance of those contracts. Thus, far from creating a new cause of action, we are merely not intervening to restrict a well-established state cause of action.

Accordingly, because the cause of action alleged by Dow for intentional interference with prospective and actual contractual relations does not stand as an impermissible obstacle to the accomplishment and execution of the patent laws and because the cause of action requires entirely different elements from the defense of inequitable conduct under the federal patent laws, we must reverse the judgment of the district court.

II

Dow's contention on appeal that the district court erred,

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[7] *See also Restatement (Second) of Torts* § 766B, cmt. b (1979) ("As early as 1621 the court of King's Bench held one liable to another in an action on the case for interfering with his prospective contracts by threatening to 'mayhem and vex with suits' those who worked for or bought for him, 'whereby they durst not work or buy.' . . . [I]n 1410 it was said that 'if the comers to my market are disturbed or beaten, by which I lose my toll, I shall have a good action of trespass on the case.'").

with regard to attorney fees is less persuasive. Under 35 U.S.C. § 285, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." Based upon the record on appeal, the district court's determination that no exceptional circumstances had been shown in this case was not clearly erroneous. *See Revlon, Inc. v. Carson Prods. Co.*, 803 F.2d 676, 679, 231 USPQ 472, 474 (Fed. Cir. 1986). Consequently, like the district court, we do not reach the issue of whether Dow was the prevailing party and we affirm the district court's judgment on the issue of attorney fees.

III

We also find no merit in Exxon's cross-appeal. Exxon argues that the district court erred when it held that ECPI was not an indispensable party which had to be joined to Count II pursuant to Fed. R. Civ. P. 19. The district court appropriately inquired "whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable." Fed. R. Civ. P. 19(b). We agree with the district court that joinder was not required because, "as a practical matter, Exxon (Corp.] has both the duty and the capability of protecting ECPI's interests." *Dow*, slip op. at 12 (D. Del. Sept. 24, 1996). *See In re Allustiarte*, 786 F.2d 910, 919 (9th Cir. 1986) ("Joinder is not required when the absent parties' interests are adequately protected by those who are present."). Although ECPI remains the owner of the '783 patent, it has granted certain significant rights in the patent to Exxon Chemical Company ("ECC"), an unincorporated division of Exxon Corp. These rights include the right to sue for infringement of the patent, the right to defend ECPI in litigation concerning the patent, and the right to sublicense the patent without notifying ECPI. *Dow*, slip op. at 10 (D. Del. Sept. 24, 1996). Therefore, given ECC's substantial rights in the '783 patent and Exxon Corp.'s vigorous defense of the

'783 patent in this litigation, we agree with the district court that joinder of ECPI was not required.

CONCLUSION

Because Dow's state law unfair competition claim against Exxon Corp. was neither preempted by the federal patent laws nor conterminous with a claim under the patent laws, we reverse that part of the district court's judgment and remand for further proceedings in accordance with this opinion. However, because the district court properly found there to be no exceptional circumstances permitting an award of attorney fees and that ECPI was not an indispensable party requiring joinder, we affirm those parts of the district court's judgment. Accordingly, the district court's judgment is

AFFIRMED-IN-PART, *REVERSED-IN-PART*, and *REMANDED*.

COSTS

Each party to bear its own costs.

LOURIE, *Circuit Judge*, dissenting in part.

I respectfully dissent from Part I of the court's decision reversing the district court's dismissal of the state law claim. However, I do join Parts II and III which affirm, respectively, the district court's denial of Dow's request for attorney fees and the court's dismissal of Exxon Chemical Patents, Inc. from the case.

I dissent because the district court correctly decided that the state law claim was preempted by federal law; it was

essentially an inequitable conduct claim. The majority, citing *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225, 140 USPQ 524 (1964), *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 140 USPQ 528 (1964), *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 181 USPQ 673 (1974), *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 201 USPQ 1 (1979), and *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 9 USPQ2d 1847 (1989), concludes that the state law claim for intentional interference with actual and prospective contractual relations does not stand as an impermissible obstacle to the accomplishment and execution of the patent laws and that it is therefore not preempted.

However, none of these Supreme Court cases deals with the issue before us, which is whether such a state law claim may be entertained when it is essentially bottomed on the assertion that the patentee engaged in inequitable conduct in the Patent and Trademark Office ("PTO"). The cases cited by the majority involved either an alternative form of intellectual property protection or enforcement of a contract, rather than an attack on the enforceability (or validity) of a patent which is basically at issue here.

Kewanee concerned trade secret protection, and the Supreme Court concluded that the patent law does not preclude inventors from employing state trade secret laws for their protection rather than seeking to patent their inventions. *See* 416 U.S. at 479. In *Sears, Roebuck* and *Compco*, the question was whether state unfair competition law can provide patent-like protection against copying, when federal patent law did not protect the subject matter in question. The court held in the negative. The issue was quite different from ours.

Aronson involved enforcement of a contract that provided for a right to royalties, whether or not a patent had issued. No preemption was found because enforcement of the contract

did not conflict with the goals and policies of federal patent law. *See Aronson*, 440 U.S. at 265-66. That case had little to do with this one. In *Bonito Boats*, the Court found preemption because the Florida statute creating patent-like protection for boat hull designs directly conflicted with federal law. The Court held that state laws which restrict public access to subject matter specifically left unprotected by the federal patent law are preempted.

Thus, none of those cases provides precedent for the majority's decision. I believe this court's holding of preemption in *Abbott Laboratories v. Brennan* is the closest precedent and that it should lead to a similar result here. *See* 952 F.2d 1346, 1355-57, 21 USPQ2d 1192, 1199-1201 (Fed. Cir. 1991) (holding that a state law claim for abuse of process, bottomed on the allegation that the patentee engaged in inequitable conduct, was preempted by the federal patent law). The state law claim here is premised on an assertion of inequitable conduct in the procurement of Exxon's patent.

Inequitable conduct is a defense to a claim of patent infringement when the patent was obtained by a failure of the patent applicant to comply with the duty of disclosure to the PTO. *See* 37 C.F.R. § 1.56 (1997). There already are remedies for such misconduct, including unenforceability of the patent, *see* 35 U.S.C. § 282 (1994), and attorney fees when the case is found to be exceptional, *see id.* at § 285. Likewise, in cases of egregious misconduct or subsequent baseless attempts to enforce the patent, the patentee may be exposed to liability under the federal antitrust laws. *See Walker Process Equipment, Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172, 147 USPQ2d 404 (1965) (fraudulent misrepresentation); *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 26 USPQ2d 1641 (1993) (objectively and subjectively baseless suit). Dow attempts to bypass these federal remedies by asserting a state

law cause of action. I believe that such a cause of action is preempted because it frustrates federal patent policy by providing damages for inequitable conduct distinct from the remedies established under federal law. Permitting a state law claim to be based essentially on an assertion of inequitable conduct is essentially a duplication of federal remedies. It leads to the potential of conflicting results, an eventuality that preemption is intended to avoid. Just as in *Sears, Roebuck* and *Compco*, and in *Bonito Boats*, a state cause of action that conflicts with federal remedies is preempted.

The majority emphasizes that the tort of intentional interference with actual and prospective contractual relations involves elements in addition to a finding of inequitable conduct. That assertion is of course correct, but it merely masks the real issue. It is well-established that a patent owner is entitled to assert its patent against those it believes are infringers. *See Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869, 45 USPQ2d 1225, 1232 (Fed. Cir. 1997) ("[A] patentee must be allowed to make its rights known to a potential infringer so that the latter can determine whether to cease its allegedly infringing activities, negotiate a license if one is offered, or decide to run the risk if liability and/or the imposition of an injunction."). Whenever a patentee suspects that its patent is being infringed, it should. as a matter of civilized business practice, warn the suspected infringer to cease and desist, on pain of facing a lawsuit. If the accused infringer has a contractual relationship with another party, such as a customer, as is the usual case, that other party may be warned as well, as it is usually also an accused infringer. Warning infringers to stop infringing one's patent is a protected activity. The fact that the patent owner may lose its case, or even be found to be guilty of inequitable conduct does not mean that it had no right to demand that those it considered to be infringers stop their allegedly infringing conduct. Thus, the fact that this tort involves post-grant

activities does not practically-speaking distinguish it from inequitable conduct *per se*.

Moreover, this case is not truly distinguishable from *Concrete Unlimited* because of any distinction between a patentee's good or bad faith. An accused infringer can always assert bad faith to get into state court; after this case, this will surely happen more often. Whether or not enforcement of a patent allegedly procured by inequitable conduct has been undertaken in good faith or in bad faith ultimately depends on whether the patent was in fact procured through inequitable conduct. Either way, the case is grounded on an assertion of inequitable conduct, a defense arising only in the context of a federal cause of action. The state law claim in this case is simply a proxy for the defense of inequitable conduct that was eliminated when the patentee, Exxon, mooted the infringement claim by granting an immunity from suit. Dow is ultimately attempting to try in state court the issue of inequitable conduct that Exxon's grant of immunity in the federal case took away.

Just as inequitable conduct has become a staple defense in an infringement suit, the result of this decision may well be the generation of a staple state tort of interference with contract essentially based on conduct in the patent office involving the procurement of the patent. Every federal patent infringement suit in which a patentee has warned an accused infringer having a contract or business relationship with another party regarding the accused subject matter may now be fair game for a state tort action. I hope not, because I do not agree that the law provides for such an action, that it is necessary as a matter of policy, or that we should be creating new causes of action when federal law already provides remedies for the alleged offense. Maintenance of a bright line rule that state tort law does not provide a damages remedy for inequitable conduct best serves the law's goal of providing clarity concerning the distinction between federal and state

causes of action. Accordingly, because the issue of inequitable conduct is part of a patent infringement law suit, it should not be raised separately in the guise of a state law claim. I therefore respectfully dissent from the reversal of the district court's dismissal of Dow's claim for intentional interference with actual and prospective contractual relations.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DOW CHEMICAL COMPANY	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	94-572-SLR
EXXON CORPORATION,	)	
	)	
Defendant.	)	

MEMORANDUM ORDER

I. INTRODUCTION

The Dow Chemical Company ("Dow"), filed this action against Exxon Chemical Patents, Inc. ("ECPI") and Exxon Corporation ("Exxon") on October 25, 1994, seeking a declaration of noninfringement and invalidity of Exxon's Patent No. 5,246,783 (the "'783 patent") (Count I) and declaratory, injunctive, and monetary relief for unfair competition. (Count II) The substance of Dow's Count II claim is that Exxon tortiously interfered with Dow's actual and prospective contractual relations. Dow claims that in meetings and letters to both actual and prospective Dow customers, Exxon alleged that the use of Dow's ENGAGE polymers in wire and cable manufacture infringed the '783 patent while actually knowing that such use "in no way infringes any valid and enforceable claims of the '783 patent." (D.I. 142 at ¶ 42)

On September 20, 1996, the court dismissed Count I of

the complaint and dismissed ECPI as a party. (D.I. 277) The court also ordered the parties to submit briefs on the scope of issues to be decided in Count II. The court has reviewed the submissions from both parties on this issue. For the reasons that follow, the court concludes that Dow may not present evidence of inequitable conduct before the PTO in connection with its unfair competition and tortious interference claims. As it appears that Dow has no other basis for its Count II claim, the parties will be given an opportunity for further submissions on the issue of whether Count II should be dismissed.

II. DISCUSSION

In the second amended complaint, Dow alleges that Exxon knew or should have known that the use of Dow's polymers "in no way infringes any valid and enforceable claims of the '783 patent." (D.I. 142 at ¶ 42) One may interpret this allegation to mean that Exxon knew either that the use of Dow's products did not infringe or that the pertinent claims of the '783 patent were not valid. Dow has since clarified its position, explaining that the complaint was purposefully worded to cover either possibility because at the time it was filed, "Dow was not certain of the precise nature of Exxon's bad faith, *i.e.*, whether it related to the invalidity of the claims or Exxon's failure to conduct proper due diligence in making its assertion of infringement." (D.I. 281 at 5) As discovery progressed, however, Dow claims that "the specific nature of Exxon's bad faith" became clear, namely Exxon's assertion of patent rights which it knew to be invalid because they were obtained through inequitable conduct before the Patent & Trademark Office ("PTO"). (D.I. 281 at 5)

The second amended complaint does not specify whether Dow intends to base its unfair competition claim on federal or state law. Three factors, however, have convinced the court

that Dow intends Count II as a state common law claim: 1) Dow has not cited any federal statutory provision pertaining to unfair competition in its complaint; 2) In their briefs and arguments surrounding Exxon's motion to dismiss (D.I. 170), the parties assumed that if the court dismissed Count I, the court's jurisdiction over the remaining count would depend on diversity; and 3) No federal statute appears to apply to this case. *See Pro-Mold & Tool Co., Inc. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1575 (Fed. Cir. 1996) ("The only basis for a federal unfair competition claim is Section 43(a) of the Lanham Act . . ." which does not apply to a claim based on defendant's having obtained a patent through inequitable conduct).

In general, to prevail on a common law claim of tortious interference with contractual relations, Dow must establish that Exxon intentionally and improperly induced third parties either to fail to perform their contracts with Dow or not to enter into contracts with Dow, and that Dow was harmed by such actions. *Restatement (Second) of Torts* §§ 766, 766 B (1979).[1/]

The question for the court, then, is whether issues of patent validity, and specifically of Exxon's alleged inequitable conduct, may be decided in the context of a business tort claim where all claims arising directly under the patent laws have been dismissed.

Dow cites several cases for the proposition that the court can decide the validity of the patent in the context of the unfair competition claim. *See, e.g., Additive Controls &*

1/ Although the parties have not addressed which state's law would apply, a general recitation of the elements of tortious interference will suffice for the purpose of resolving the issue at hand.

Measurement Systems, Inc. v. Flowdata, Inc., 986 F.2d 476, 478 (Fed. Cir. 1993); *Muskegon Piston Ring Co. v. Olsen*, 307 F.2d 85 (6th Cir. 1962), *cert. denied*, 371 U.S. 952 (1963); *Ostow & Jacobs, Inc. v. Morgan-Jones, Inc.*, 189 F. Supp. 697, 699 (S.D.N.Y. 1960); *Keladiro, Inc. v. Valve & Primer Corp.*, 177 U.S.P.Q. 796, 799 (Cal. Super. 1973); *Zenie v. Miskend*, 28 U.S.P.Q. 162, 164 (N.Y. App. 1935); *Wittemann Bros. v. Wittemann Co.*, 151 N.Y.S. 813, 816 (N.Y. Sup. Ct. 1914), *aff'd*, 152 N.Y.S. 1150 (N.Y. App. Div. 1915). All of the cases Dow cites, however, focus on whether federal or state courts have jurisdiction over a business tort claim in which patent issues are implicated. In only one case did a state court actually decide issues of patent validity solely in the context of a business tort claim, where no other claim or counterclaim arising directly under the patent laws was asserted. *Keladiro, Inc. v. Valve & Primer Corp.*, 177 U.S.P.Q. at 797. In no instance did a federal court do so. *See also American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916); *Becher v. Countoure Laboratories, Inc.*, 29 F.2d 31 (2d Cir. 1928), *aff'd*, 279 U.S. 388 (1929).

In addition to the absence of precedent for invalidating patents in cases where the only claim is a state common law tort, the court must consider the approach the Federal Circuit has taken to invalidity claims. As previously discussed by this court, the Federal Circuit generally disfavors reaching beyond the scope of a given controversy to invalidate a patent. *See, e.g., Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517-20 (Fed. Cir. 1987); *see also* H. Markey, *On Simplifying Patent Trials*, 116 F.R.D. 369, 377 n.15, *cited in* Robert L. Harmon, *Patents and the Federal Circuit* § 14.3(g) (2d ed. 1991). This reasoning was the basis for the court's dismissal of Count I, and it applies equally to Count II. As the Federal Circuit stated in *Pro-Mold & Tool*:

> The established remedy for inequitable conduct is unenforceability of the patent. If a trial court considers that the case is an exceptional one, which is often found when the patent has been improperly procured, attorney fees can be awarded. Moreover, the Supreme Court has held that "enforceability of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present." Thus, there are adequate remedies to deal with inequitable conduct when it is found. Resort to federal unfair competition law is not one of them.

Pro-Mold & Tool Co., Inc. v. Great Lakes Plastics, Inc., 75 F.3d at 1575 (citations omitted) (emphasis added). Having been denied a remedy through more direct channels, *i.e.*, its Count I claim for declaratory judgment, Dow seeks to reach essentially the same issues through the mechanism of state common law. In light of the precedent cited by Dow and the Federal Circuit's stated policy in this area, the court declines to allow what in essence is a patent trial to proceed in the guise of a business tort trial.

Furthermore, as Exxon correctly points out, patents are presumed valid until proven otherwise. Therefore, a patent owner who exercises the right to exclude others from using the invention is presumed to be acting in good faith, even if the patent is later deemed invalid or unenforceable. *Concrete Unlimited, Inc. v. Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985), *cert. denied*, 479 U.S. 819 (1986). In *Concrete Unlimited*, the Federal Circuit reversed a district court's finding that the patent owner was "guilty of acts of unfair competition by taking business away from the Defendant by threats and infringement actions based on the fraudulently obtained patent." *Id.* Instead, the court held that the plaintiff "had the right to exclude others from making, using, and selling the invention and to enforce those rights

until the . . . patent was held invalid." *Id.* (emphasis added). This proposition appears to apply even where, as in *Concrete Unlimited*, the plaintiff alleges that the patent was obtained by inequitable conduct. Thus, it appears that an unfair competition claim based solely on the defendant's assertion of patent rights allegedly obtained through inequitable conduct could not, as a matter of law, succeed.

The court concludes, therefore, that Dow may not present evidence of inequitable conduct in its case on Count II issues. As inequitable conduct appears to be the sole basis for Dow's claim, the parties will have three weeks to submit motions and memoranda on whether this case should be dismissed in its entirety.

III. CONCLUSION

THEREFORE, at Wilmington this 25th day of November, 1996,

IT IS ORDERED that:

1. Evidence of Exxon's alleged inequitable conduct before the PTO will not be admitted at trial;

2. Both parties shall submit, on or before December 16, 1996, brief memoranda on whether any triable issues remain in the this case. No reply memoranda shall be permitted.

/s/ Sue L. Robinson
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DOW CHEMICAL COMPANY	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	94-572-SLR
EXXON CORPORATION,	)	
	)	
Defendant.	)	

MEMORANDUM ORDER

I. INTRODUCTION

On November 25, 1996, this court ruled that plaintiff could not present evidence of defendant's alleged inequitable conduct before the Patent & Trademark Office in connection with its state law claim for inequitable conduct. (D.I. 286) Plaintiff has moved for reargument pursuant to Local Rule 7.1.5. (D.I. 287) For the reasons stated below, plaintiff's motion will be denied.

II. BACKGROUND

Plaintiff originally filed this suit on October 25, 1994. In Count I of the complaint, plaintiff sought a declaration of noninfringement and invalidity of defendant's Patent No. 5,246,783 (the "'783 patent"). After defendant executed a statement of nonliability for infringement, the court dismissed Count I. (D.I. 277) The parties were directed to brief the

court on the scope of issues to be decided in connection with the one remaining count of the complaint, a claim for unfair competition. After reviewing the parties' submissions, the court concluded that plaintiff should not be permitted to present evidence of defendant's alleged inequitable conduct before the PTO in connection with its Count II claims. (D.I. 286)

III. DISCUSSION

Plaintiff contends that the court based its ruling on a Federal Circuit case which is no longer good law. This contention appears to be premised on a misperception of this court's use of the case in question, *Vieau v. Japax, Inc.*, 823 F.2d 1510 (Fed. Cir. 1987), or of the Supreme Court case that later limited *Vieau*'s applicability, *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993). In its November 25, 1996 decision, this court cited *Vieau* for the unremarkable and well-established proposition that a court should not "reach[] beyond the scope of a given controversy to invalidate a patent." (D.I. 286 at 5) This principle remains a fundamental part of the Federal Circuit's approach to issues of patent validity. *See, e.g., Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1060 (3d Cir. 1995), *cert. denied*, 116 S. Ct. 815 (1996).

In *Cardinal Chemical*, the Supreme Court did address the Federal Circuit's policy, as articulated in *Vieau*, of automatically vacating a finding of invalidity upon a finding of noninfringement. The Court ruled that a finding of noninfringement by an appellate court does not, in itself, render the question of patent validity moot. *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. at 98-99. However, in so ruling, the Court specifically noted that "the Declaratory Judgment Act affords the district court some discretion in determining whether or not to exercise . . .

jurisdiction, even when it has been established." *Id.* at 95, n.17 (emphasis added). The Court's opinion explicitly applies only to the continuing jurisdiction of the appellate court once the district court has chosen to exercise jurisdiction over an invalidity claim. *Id.* at 95-96.

Plaintiff also argues that this court relied on an improper reading of *Concrete Unlimited, Inc. v. Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985), *cert. denied*, 479 U.S. 819 (1986). In *Concrete Unlimited*, the Federal Circuit ruled that the plaintiff "had the right to exclude others from making, using, and selling the invention and to enforce those rights until the . . . patent was held invalid." *Id.* (emphasis added). As this court noted previously, the Federal Circuit reached this conclusion despite the defendant's allegation that plaintiff had obtained its patent through inequitable conduct. *Id.*

According to plaintiff, the presumption of validity discussed in *Concrete Unlimited* applies only where the patent has been "innocently" asserted. To establish such innocence, however, would require a finding on the issue of bad faith -- a finding obviated by the presumption of validity itself. The court declines to adopt plaintiff's somewhat circular interpretation of *Concrete Unlimited*.

As plaintiff has not put forward any other authority or argument convincing to the court, the motion will be denied.

IV. CONCLUSION

THEREFORE, at Wilmington this 22 day of January, 1997,

IT IS ORDERED that plaintiff's motion for reargument of the court's memorandum order of November 25, 1996 (D.I. 287) is denied.

/s/ Sue L. Robinson
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DOW CHEMICAL COMPANY	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No.
	)	94-572-SLR
EXXON CORPORATION,	)	
	)	
Defendant.	)	

MEMORANDUM ORDER

I. INTRODUCTION

On November 25, 1996, this court issued a memorandum order ruling that plaintiff the Dow Chemical Company ("Dow") may not present evidence that defendant Exxon Corporation ("Exxon") committed inequitable conduct before the Patent and Trademark Office ("PTO") in connection with Dow's claim of unfair competition. (D.I. 286) In connection with this ruling, the court ordered the parties to submit memoranda on whether any triable issues remained in the case.

The parties filed their responses, as ordered, on December 16, 1996. (D.I. 289, 290) Exxon argues that because inequitable conduct was the sole basis for Dow's claim of unfair competition, there are no longer any triable issues and the case, therefore, must be dismissed. (D.I. 290) Dow contends that although its claim of unfair competition is

based on Exxon's alleged inequitable conduct, the court could find for Dow without invalidating Exxon's patent. Moreover, Dow contends that as a prevailing party under 35 U.S.C. § 285 it is entitled to attorney fees. (D.I. 289)

II. DISCUSSION

Dow's first contention misconceives the effect of this court's November 25 memorandum order. The order stated not only that the court would not consider the validity of the patent itself, but that Dow would not be permitted to introduce evidence of Exxon's alleged inequitable conduct. (D.I. 286) There is no need to reiterate the reasoning behind this decision. As Dow has conceded that inequitable conduct before the PTO is the sole basis for its claim, the court concludes that there are no triable issues and that the claim must be dismissed.

As to the issue of attorney fees, the court determined in its September 20, 1996 memorandum opinion to revisit the issue once the outcome of the count II issues had been decided. (D.I. 276) In a patent case, a court may award attorney fees "in exceptiona' cases" to a prevailing party. 35 U.S.C. § 285. The court has decided to dismiss count II of Dow's complaint. Therefore, Dow has not prevailed on that claim. With respect to count I of Dow's complaint, it is not necessary to determine whether Dow is a prevailing party for the purposes of § 285. The court concludes that the exceptional circumstances under which an award of attorney fees would be proper do not exist in this case.

III. CONCLUSION

THEREFORE, at Wilmington this 19th day of March, 1997,

IT IS ORDERED that, because there are no longer any justiciable issues remaining in this case, it is dismissed in its entirety.

/s/ Sue L. Robinson
United States District Judge

United States Court of Appeals for the Federal Circuit

97-1347, -1351

THE DOW CHEMICAL COMPANY,

Plaintiff-Appellant,

v.

EXXON CORPORATION
and EXXON CHEMICAL PATENTS, INC.,

Defendants/Cross-Appellants.

Decided: May 27, 1998

JUDGES: CLEVENGER, Circuit Judge, concurring. LOURIE, Circuit Judge, with whom NEWMAN and RADER, Circuit Judges, join, dissenting. Circuit Judge Michel, Circuit Judge Schall and Circuit Judge Gajarsa did not participate.

OPINION: ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the Cross-Appellant, an amicus curiae brief having been filed by Johnson & Johnson, and a response thereto having been invited by the court and filed by the Appellant, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc, amicus brief and response having been referred to the circuit judges who are authorized to request a poll whether to rehear the appeal in

banc, and a poll having been requested, taken, and failed, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED; and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

Circuit Judge Clevenger concurs in a separate opinion.

Circuit Judge Lourie, with whom Circuit Judge Newman and Circuit Judge Rader join, dissents in a separate opinion.

Circuit Judge Bryson would rehear the appeal.

Circuit Judge Michel, Circuit Judge Schall and Circuit Judge Gajarsa did not participate.

The mandate of the court will issue on June 3, 1998.

CLEVENGER, Circuit Judge, concurring.

I concur in the decision not to rehear this case in banc. As a member of the merits panel, I continue to subscribe to the opinion and decision of the court that the state law causes of action pleaded in this case are not preempted by federal patent law. As the panel opinion amply demonstrates, *see Dow Chem. Co. v. Exxon Corp.*, 1998 U.S. App. LEXIS 5910, 46 USPQ2d (BNA) 1120, 1127, No. 97-1347, 1998 WL 130725, at *8 (Fed. Cir. Mar. 24, 1998), the state law causes of action are based essentially on conduct in the state's commercial marketplace that allegedly has harmed the plaintiff. It so happens that the alleged misconduct centers on an allegedly defective patent.

Judge Lourie's fears are unwarranted. A state law cause of action that pleads an issue that embraces a substantial question of federal patent law remains a state law cause, in terms of its derivation, but it is — for purposes of the jurisdiction of a U.S. District Court under 28 U.S.C. § 1338(a) and our jurisdiction under 28 U.S.C. § 1295(a)(1) — a cause "arising under" the federal patent law. The Supreme Court said so in no uncertain terms:

> § 1138(a) jurisdiction . . . extends only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.

Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 807-09, 100 L. Ed. 2d 811, 108 S. Ct. 2166 (1988) (emphasis added). We, of course, followed that clear rule in *Additive Controls & Measurement Systems, Inc., v. Flowdata, Inc.*, 986 F.2d 476, 477-78, 25 USPQ2D (BNA) 1798, 1799-1801 (Fed. Cir. 1993). Therefore, a cause of action having a substantial question of federal patent law will lie in the United States District Courts in the first instance, or by removal from a state court, and review of the district court decision will lie in this court. The values of national uniformity for which this court was created will thus be promoted when we decide whether the federal patent law issue in the state law cause of action has properly been decided. Indeed, our job is to assure such uniformity without trampling on the authority of states to protect the rights of their residents.

Thus, Judge Lourie's predictions of plague-like harm to the tissue of federal patent law, and even to the states, are simply wrong. The sky will not fall on our patent system by

our refusal to preempt the state law causes of action at issue here, which plead at their core a substantial question of federal patent law. Instead, we will have preserved the rights of states, in our federal republic, to protect valid interests within their borders, in a system of judicial harmony that lodges adjudication of these cases in the federal district courts, with uniform review assured by the appellate jurisdiction of this court. There simply is no need to preempt the causes of action here in order to protect consistent federal judicial interpretation of the patent law. Judge Lourie's opinion concedes as much, as it must, in the light of the jurisdictional precedent.

The panel decision is therefore correct, and the court is correct in declining to rehear the case in banc.

LOURIE, Circuit Judge, with whom NEWMAN and RADER, Circuit Judges, join, dissenting.

For reasons stated in my dissent from the panel's decision, I also dissent from the decision of the court not to hear this case in banc. A state law claim for unfair competition that is based essentially on inequitable conduct in the Patent and Trademark Office is preempted by federal law. There already is a remedy under federal law for inequitable conduct. It is unenforceability of the patent and possible attorney fees. A state law remedy conflicts with that federal remedy.

A contrary decision frustrates federal law by placing in the hands of all the state courts, as well as all the federal regional circuits reviewing decisions of federal district courts whose jurisdiction is based on diversity of citizenship, determination whether there had been inequitable conduct and, if so, what the remedy should be for that offense. If the present panel decision is followed, the federal nature of the

patent law may be splintered into a multitude of local rules, and the goal of uniform federal law, which the statute contemplates, and, in particular, this court was created to ensure, will be frustrated.

A whole new field of litigation will be opened up. State Courts will be rendering judgments that may be in conflict with a federal judgement. New questions of standing will have to be settled, determining whether unfair competition and hence inequitable conduct can be raised by one not accused of infringement. Inequitable conduct has been spoken of as a "plague" in the patent system. That plague will now infect the states. The panel's decision is a Pandora's box full of mischief--unnecessary, unjustified, and unwise.

Judge Clevenger's assurances that the "sky will not fall" are not comforting. His analysis merely confirms the complexity of these issues and the depth of the morass that the panel opinion creates. It is far from clear that a state cause of action based essentially on inequitable conduct is removable to federal court. Removal requires a "civil action brought in a State court of which the district courts of the United States have original jurisdiction." 28 U.S.C. § 1441(a) (1994). Do the federal district courts have original jurisdiction of an action "for inequitable conduct"? There is no such federal cause of action, perhaps not even a case or controversy. Such claims are defenses to a claim of patent infringement. Moreover, if a claim asserting unfair competition under state law is originally brought in the federal courts, a federal court will have to apply state law with uncertain consequence for uniformity of federal patent law. While federal courts apply state law all the time, *e.g.*, in diversity cases, they should not do so when a clear case for preemption exists.

In any event, the panel opinion emphasized the "state law cause of action" and the "state court's" role in adjudicating the

dispute, *Dow Chem, Co. v. Exxon Corp.*, 1998 U.S. App. LEXIS 5910, 46 USPQ2D (BNA) 1120, 1124-25, No. 97-1347, slip. op. at 11 (Fed. Cir. March 24, 1998), rather than determining that this action "arises under an Act of Congress relating to patents," the ground relied on by the concurrence. Furthermore, contrary to the concurrence, the panel indicated that the issue of patent law "would only be ancillary to [the 'state courts'] central purpose . . . [A] state court has authority to adjudicate patent questions so long as the action does not arise under the patent laws." *Id.* at 12, 46 USPQ2D (BNA) 1120, 1125.

Neither Additive Controls nor *Christianson v. Colt*, cited by Judge Clevenger for the proposition that state actions involving substantial questions of federal patent law will both lie in federal district courts in the first instance and be appealable to this court, is relevant to the issue of preemption. Additive Controls dealt with federal jurisdiction over a state claim for business disparagement, holding that, because the claim was based on an allegation that the patentee falsely accused the plaintiff of infringing its patent, federal jurisdiction was proper. Preemption does not appear to have been at issue, nor is it clear that this case would be precedent for placing all state unfair competition claims based on inequitable conduct in federal court. (I note that the two judges subscribing to this dissent were on the panel that decided that case.) Moreover, *Christianson v. Colt* did not involve a question of state verses federal jurisdiction, but one federal circuit versus another. The result of that case was that jurisdiction lay in the Seventh Circuit, not the Federal Circuit. Preemption was not at issue. Moreover, while that case did define this court's "arising under" jurisdiction, it did not eliminate the prospect of federal courts following state law even when the basic issue is one of federal patent law. Again, there is raised the specter of nonuniform patent law. One may logically thread one's way through the jurisdictional mess that

these issues involve, but the legal framework would be much simpler if questions of inequitable conduct and infringement threats were not to be adjudicated under state law because of preemption. Federal law provides remedies for these offenses.

For these reasons, I believe the court should have taken this case in banc and overridden the panel's judgement.

RULE 29.6 LISTING

Exxon Corporation's subsidiaries, other than wholly-owned subsidiaries, are:

165550 Canada Limited
172746 Canada Inc.
172965 Canada Limited
AAI Assets, Inc.
Abu Dhabi Petroleum Company Limited
Acquifund Resources Limited
Aditivos Orinoco de Venezuela (Adlnoven) C.A.
Adria-Wien Pipeline Gesellschaft mit beschraenkter Haftung
Advanced Elastomer Systems Brasileira, Ltda.
Advanced Elastomer Systems Hong Kong Limited
Advanced Elastomer Systems Japan Limited
Advanced Elastomer Systems Limited
Advanced Elastomer Systems Marketing Pte. Ltd.
Advanced Elastomer Systems NV/SA
Advanced Elastomer Systems Singapore Pte. Ltd.
Advanced Elastomer Systems, Canada, Inc.
Advanced Elastomer Systems, Inc.
Advanced Elastomer Systems, L.P.
AFSC Management Limited
AFSC Operations Limited
AFSC Refueling Limited
AGES Arbeitsgemeinschaft Gebuehrenentrichtungssystem gmbH & Co.
AGES Arbeitsgemeinschafts-Gebuehrenentrichtungssystem GmbH
AIR TANKDIENST KOELN GbR
Aircraft Fuel Supply B.V.
Al-Jubail Petrochemical Company
Alberta Products Pipe Line Ltd.
Alyeska Pipeline Service Company
Aramco Services Company

Asakawa Sekiyu K.K.
ASHCO Ltd.
Aviation Fuel Supply Company
Awaji Gas Nenryo Kabushiki Kaisha
Azerbaijan International Operating Company
Azuma Sekiyu K.K.
Bangkok Aviation Fuel Services Public Company Limited
Banshu Ekika Gas K.K.
Bayerische Erdoelleitung GmbH
BEB Erdgas und Erdoel GmbH, Hannover
Berlin Fuelling Services GbR
Bitumes Tunis S.A.
BONDY ESSENCE
Brickwood Holdings Pty. Ltd.
BRIGITTA Erdgas und Erdoel GmbH, Hannover
Cameroon Oil Transportation Company S.A.
Canada Imperial Oil Limited
Canadian Marine Response Management Corporation
Canadian Reserve Oil & Gas Ltd.
Castle Peak Power Company Limited
Cerafilter Systems, Inc.
Cerafilter Systems, L.P.
CeraMem Separations, Inc.
Changi Airport Fuel Hydrant Installation Pte. Ltd.
Changi Into-Plane Services (Pte) Ltd.
Chuo Sekiyu Hanbai K.K.
Compagnie Industrielle des Polyethylenes de Normandie, GIE
Compania Minera Disputada de Las Condes S.A.
Comptoir Auxiliaire du Petrole
Computer Centrum Groningen B.V.
Cynthia Gas Gathering Company Limited
D15 (Groep) B.V.
Daihatsu Sekiyu K.K.
DEMICO S.A.R.L.
Depot Petrolier du Gresivaudan
Depots de Petrole Cotiers

Depots Petroliers de la Corse
Deudan GmbH & Co. KG
DEUDAN GmbH, Kiel
Deudan-Holding GmbH
Deutsche Advanced Elastomer Systems GmbH
Deutsche Erdgas Transport G.m.b.H.
Deutsche Transalpine Oelleitung G.m.b.H.
Devon Estates Limited
Dex Plastomers
Dexco Polymers (General Partnership)
DFTG Deutsche Fluessigerdgas Terminal GmbH
Disma S.r.l.
Dixie Pipeline Company
ESF Limited
Eagle Reinsurance Co. Ltd.
East Asia Response Private Limited
East Texas Salt Water Disposal Company
Eastern Canada Response Corporation Ltd.
EDE China LLC
Eiko Sekiyu K.K.
Elwerath Erdgas und Erdoel GmbH, Hannover
Elwerath-Mobil AG
Emirates National Chemical Company Ltd.
Emori Sekiyu K.K.
Emsland-Erdoelleitung G.M.b.H.
Energie Dienstleistungs Wuppertal GbR
Energie Dienstleistungs Wuppertal GmbH
Energie Marketing Service GmbH
Energy Chemicals (Malaysia) Sdn. Bhd.
Enterprise Housing Partners 1992 Limited Partnership
Entrepot Petrolier de Mulhouse (E.P.M.)
EPDMCO, L.P.
Erdgas-Verkaufs-Gesellschaft m.b.H.
Erdgasgemeinschaft GbR
Erdoel-Raffinerie Deurag-Nerag GmbH
Esso (Overseas) Pension Trust Limited

Esso (Thailand) Public Company Limited
Esso Antilles-Guyane, S.A.
Esso Energie G.I.E.
Esso Exploration and Production Angola Inc.
Esso Exploration and Production Ireland Limited
Esso France, S.A.
Esso Lub'Services
Esso Lubrifiants Tunisie S.A.
Esso Malaysia Berhad
Esso Raffinage S.A.F.
Esso Sinochem (Ningbo) Petroleum & Petrochemicals Supply Co. Ltd.
Esso Societe Anonyme Francaise
Esso Standard Tunisie S.A.
Etablissements Cloarec
ETD Tankdienst Gesellschaft Duesseldorf GbR
Exxon Asset Funding Company
Exxon Asset Management Company
Exxon Chemical Asset Management Partnership
Exxon Chemical France
Exxon Chemical Paraffins Limited
Exxon Chemical Polymeres SNC
Exxon Chemical S.A.
Exxon de Colombia S.A.
Exxon Mobile Bay Limited Partnership
F.T. Giken Kabushiki Kaisha
Federated Pipe Lines (Northern) Ltd.
Federated Pipe Lines (Western) Ltd.
Federated Pipe Lines Ltd.
Ferngas Nordbayern G.m.b.H.
Ferngas Salzgitter GmbH
Fernkaelte Geschaeftsstadt Nord G.b.R.
Fina Antwerp Olefins N.V.
Flughafen Schwechat Hydranten-Gesellschaft
FSF Flughafen Schwechat Flugzeugbetankungs GmbH
Fuji Kogyo K.K.

G16a (Groep) B.V.
Gardermoen Fuelling Services AS
Gasunie Engineering B.V.
Gasunia Warmte/Kracht Emmen B.V.
General Bussan K.K.
General Energy Development K.K.
General Sekiyu K.K.
General Sekiyu Okinawa Hanbai K.K.
General Shipping Co. Ltd.
General Unyu Kabushiki Kaisha
Geogaz Lavera
Gesellschaft fuer Mineraloeiveredlung und Distribution Rhaesa mbH
Gewerkschaft Brassert Erdoel und Erdgas GmbH
Gewerkschaft Gute Hoffnung Erdgas und Erdoel GmbH
Gewerkschaft Kuechenberg Erdgas und Erdoel GmbH
Glen Park Gas Pipe Line Company Limited
Grande Ecaille Land Company, Inc.
Great Lakes Response Corporation of Canada
Groupement d'Exploitation du Depot de Reception de Chennevieres
Groupement Immobilier Petroleir
Groupement Petrolier Aviation
Groupement Petrolier de la Cote d'Azur
Groupement Petrolier de Nantes (G.P.N.)
Groupement Petrolier de Saint-Pierre des Corps (G.P.S.P.C.)
Groupement Petrolier du Finistere G.I.E.
Groupement Petrolier du Val-de-Marne (G.P.V.M.)
Guam Response Services Ltd.
GVOE Gebinde-Verwertungesellschaft der Mineraloe/wirtschaft MbH
Hambrecht & Quist Environmental Technology
Hamburger Gaswerke GmbH
Hankyu Ferry K.K.
Hankyu Service K.K.
Hannoversche Erdoelleitungs-G.m.b.H.

Hanshin Kyowa Sekiyu K.K.
Heinrich Schneider Spedition GmbH
Hiroshima General Gas Juten Kabushiki Kaisha
Hoei Sekiyu K.K.
Hokuyu Sekiyu K.K.
Hong Kong Pumped Storage Development Company, Limited
Hong Kong Response Limited
Houston Regional Monitoring Corporation
Hydranten-Betriebs-Gesellschaft GbR
Imperial Oil (an Ontario General Partnership)
Imperial Oil Limited
Imperial Oil Resources an Alberta limited partnership
Imperial Oil Resources Limited
Imperial Oil Resources N.W.T. Limited
Imperial Oil Resources Ventures Limited
Industria Acqua Siracusana S.p.A.
Iraq Petroleum Company, Limited
Japan Butyl Company Limited
Japan PolyChem Corporation
Jersey Nuclear-Avco Isotopes, Inc.
Jinzhou Jinex Lubricant Additives Co., Ltd.
K.K. Momose Shioliri Stand
K.K. Nilmi Kirun
K.K. Aizu General
K.K. Auto
K.K. Daimaru
K.K. Eastern Gas Terminal
K.K. General Gas Butsuryu Kanto
K.K. General Sekiyu Hanbaisho
K.K. Genet
K.K. Genetech
K.K. Genex
K.K. Heian Sekiyu
K.K. Kyoei Shosha
K.K. Marutaka Sekiyu
K.K. Momose Sekiyu

K.K. Standard Sekiyu Osaka Hatsubaisho
K.K. Tama General
K.K. Uwano Sekiyu Shokai
K/S Statfiord Transport A/S & Co.
Kabushiki Kaisha Kanki
Kai Tak Refuellers Company Limited
Kansai Chuo Sekiyu K.K.
Kanto Kygnus K.K.
Karlsruhe-Stuttgart Rohrieitung Gesellschaft mit beschraenkter
Kawasaki Kyngus Sekiyu Hanbai Kabushiki Kaisha
Keiyo Sekiyu Hanbai K.K.
Kemcor Australia Pty. Ltd.
Kemcor Elastomers Pty. Ltd.
Kemcor Olefins Ltd.
Kemcor Plastics Pty. Ltd.
Kemcor Resins Pty. Ltd.
Kibo Sekiyu Hanbai K.K.
Kimura Sekiyu Kabushiki Kaisha
Kinwa Sekiyu K.K.
Kobbaby Pty. Ltd
Kobe Standard Sekiyu K.K.
Korea Perchem Company Limited
Kowa Sekiyu K.K.
Kumho Polychem Co., Ltd.
Kygnus Ekika Gas Kabushiki Kaisha
Kygnus Kosan Kabushiki Kaisha
Kygnus Sekiyu K.K.
Kygnus Sekiyu Seisei Kabushiki Kaisha
Kygnus Trading Kabushiki Kaisha
Kyushu Eagle K.K.
L-Net East K.K.
L-Net West K.K.
L12A (Groep) B.V.
L12B/L15B (Groep) B.V.
L15A (Groep) B.V.
L2 (Groep) B.V.

L4c (Groep) B.V.
L5a (Groep) B.V.
L9a (Groep) B.V.
L9b (Groep) B.V.
Les Dockes des Petroles d'Ambes
Les Emulsions de Feyzin et du Dauphine
Liants Routiers de Bourgogne (L.R.B.)
Liants Routiers de la Vallee de la Loire (LRVL)
Liants Routiers de la Vallee du Rhin (L.R.V.R.)
Liants Routiers du Gard (L.R.G.)
Lilac Sekiyu Kabushiki Kaisha
Lily Sekiyu K.K.
Lithcon Petroleum International (Bahamas) Inc.
Longhorn Partners Pipeline, L.P.
Maasvlakte Olie Terminal C.V.
Maasvlakte Olie Terminal N.V.
Magota Sekiyu K.K.
Mainline Pipelines Limited
Malaysian Energy Chemical & Services Sdn Bhd
Manchester Airport Storage and Hydrant Company Limited
Marugo Gas K.K.
McColl-Frontenac Inc.
McColl-Frontenac Petroleum Inc./Petroliere McCol-Frontenac Inc.
MEGAL FINCO
MEGAL GmbH
Meili Sekiyu K.K.
Mineraloelraffinerie Oberrhein GmbH & Co. KG
Mineraloelraffinerie Oberrhein Verwaltungs GmbH
Mitake Unso K.K.
Mittelrheinische Erdgas Transport Gesellschaft mit beschraenkter
Mode Wheel Property Limited
Montreal Pipe Line Limited/Les Pipe-Lines Montreal Limitee
Mount Thorley Coal Loading Limited
Multi Tank Card B.V.

Mytex Polymers (General Partnership)
N.V. Nederlandse Gasunie
Nalco/Exxon Energy Chemicals Argentina S.A.
Nalco/Exxon Energy Chemicals Brasil LTDA
Nalco/Exxon Energy Chemicals Canada, Inc.
Nalco/Exxon Energy Chemicals Colombia S.A.
Nalco/Exxon Energy Chemicals Limited
Nalco/Exxon Energy Chemicals Marketing Ltd.
Nalco/Exxon Energy Chemicals Mexico, S.A. de C.V.
Nalco/Exxon Energy Chemicals Middle East Holdings, Inc.
Nalco/Exxon Energy Chemicals Venezuela, C.A.
Nalco/Exxon Energy Chemicals, Inc.
Nalco/Exxon Energy Chemicals, L.P.
NAM-K14 B.V.
NAM-K15 B.V.
NAM-K7 B.V.
NAM Pipeline B.V.
NAM-K17 B.V.
NAM/CLOMS-K8/K11 B.V.
NAM/CLOMS-L13 B.V.
NAM/MOBIL M9a B.V.
Nansei Sekiyu Kabushiki Kaisha
Nanseki Kaihatsu K.K.
Near East Development Corporation
Nederlandse Aardolie Maatschappij B.V.
NETRA GmbH
NETRA GmbH Norddeutsche Transversale & Co. KG
New Cure, Inc.
Newcastle Coal Shippers Pty. Limited
Nichiei Kogyo Kabushiki Kaisha
Niedersaechsische Energie Agentur GmbH
Nikko Sangyo K.K.
Ningbo Yanggongshan Petrochemical Wharf Company Ltd.
Nippon Unicar K.K.
Nissei Sekiyu Kabushiki Kaisha
Nogat B.V.

Norddeutsche Erdgas-Aufbereitungs G.m.b.H.
Nordrheinische Erdgas Transport Gesellschaft mit beschraenketer
Noroxo
Northward Developments Ltd.
NPC Services, Inc.
Office Prive d'Assurances et de Courtages
Oil Field Chemicals Company (Saudi Arabia) Ltd.
Oil Spill Holdings Private Limited
Oil Spill Response Limited
Oldenburgische Erdoel Gesellschaft m.b.H.
Osaka General Gas K.K.
Osaka Kygnus K.K.
OSLO Alberta Limited
Oslo Lufthavns Tankaniegg AS
Pacesetter Enterprises Limited
Parts Investment Corporation
Paxon Polymer Company, L.P. II
Plantation Pipe Line Company
Port-Jerome Gaz (P.J. Gaz)
Portland Pipe Line Corporation
Primaeroel GmbH
Prince William Sound Oil Spill Response Corporation
ProGas Limited
Projectbureau W/K B.V.
Q16a (Groep) B.V.
Raffinerie du Midi S.A.R.L.
Rainbow Pipe Line Company, Ltd.
Redwater Water Disposal Company Limited
Refineria Petrolera Acajutla, S.A.
Rexplas Sdn Bhd
Rheingas Erdgasleitungs-Gesellschaft m.b.H.
Rotterdam Antwerpen Pijpleiding (Belgie) N.V.
Rotterdam Antwerpen Pijpleiding C.V.
Rotterdam-Antwerpen Pijpleiding (Nederland) N.V.
Rubiatec Sendirian Berhad

Ruhrgas Aktiengesellschaft
S.A. du Pipeline a Produits Petroliers sur Territoire Geneve
Saba Sociedade Abastecedora de Aeronaves Lda.
Saitama Sekiyu Hanbai K.K.
Sanyo Sekiyu K.K.
Saraco S.A.
Saudi Arabian Lube Additives Company Limited
Schubert KG
SEAG Aktiengesellschaft fuer schweizerisches Erdoel
Senboku Oil Kikoh K.K.
SERAM S.p.A.
Service Aviation Paris (S.A.P.)
Shehtah Drilling Limited
Shimizu LNG K.K.
Shin-Nihon Yukagaku Kogyo K.K.
Shinohara Oil K.K.
Singapore Aromatics Company Private
Smiley Gas Conservation Limited
Sociedad de Inversiones de Aviacion Limitada
Sociedad Nacional de Oleoductos Ltda.
Societa Italiana per l'Oleodotto Transalpino S.p.A.
Societa per Azloni Raffineria Padana Olii Minerali -SARPOM
Societe Anonyme "Produits Lubrifiants de Madagascar" -PROLUMA
Societe Anonyme de Gestion de Stocks de Securite (SAGESS)
Societe Anonyme de la Raffinerie des Antilles
Societe Civile de Mustapha Algerie
Societe Civile de Participation pour la Destruction des Decets
Societe d'Etude et d'Exploitation de la Raffinerie du Tchad
Societe d'Exploitation & de Developpement d'Operations Commerciales
Societe de la Raffinerie d'Alger
Societe de Manutention de Carburants Aviation (S.M.C.A.)
Societe de Promotion et de Financement Touristique (CARTHAGO)

Societe des Pipe-Lines de Strasbourg
Societe des Transports Petroliers par Pipe Line
Societe du Caoutchouc Butyl (SOCABU)
Societe du Pipe Line de la Raffinerie de Lorraine
Societe du Pipe-Line Mediterranee-Rhone
Societe du Pipeline Sud-Europeen
Societe Esso de Recherches et d'Exploitation Petrolieres Esso
Societe Francaise EXXON CHEMICAL
Societe Groupement des Commercants du Centre Commercial Regiona
Societe Havraise de Manutention de Produits Petroliers
Societe Malgache de Raffinage
Societe Paris-Niel
Societe Reunionnaise d'Entreposage
SOGEP S.A. Societe Genevoise des Petroles
Southern Natural Gas Development Pty. Ltd.
Standard Kaihatsu K.K.
Standard Service K.K.
Stansted Fuelling Company Limited
Statfjord Transport A/S
Sucre Gas, S.A.
Sueddeutsche Erdgas Transport Gesellschaft mit beschraenkter
Sun East (Dublin) Company, Ltd.
Syncrude Canada Ltd.
Taichung Petroleum Inc.
Taihei Bussan K.K.
Taisei Kogyo Sekiyu Hanbai K.K.
Taketsuru Yugyo K.K.
Tama General K.K.
Tankanlage A.G., Mellingen
Tanklager Altishausen A.G.
Tanklager Taegerschen AG
Tanklager-Gesellschaft Tegel (TGT) GbR
TANKLAGERGESELLSCHAFT KOELN-BONN GbR
TAR-Tankanlage Ruemlang AG
TBF Tanklager Betriebsfuehrungsgesellschaft m.b.H.

TBG Tanklager-Betriebsgesellschaft mbH
TBN Tanklager-Betriebsgesellschaft Nuernberg mbH
TCA Plastics Inc.
TEAM Terminal B.V.
Telasto Folien GmbH
Terminal Petroleier de Bordeaux (T.P.B.)
TGF Tankdienst Gesellschaft Frankfurt GbR
TGM Tankdienst-Gesellschaft Muenchen GbR
Thai Aliphatics Company Limited
Thai C-Center Company Limited
Thai Petroleum Pipeline Co., Ltd.
Thyssengas G.m.b.H.
Tiba Speditions GmbH
Timan Pechora L.L.C.
TLS Tanklager Stuttgart GmbH
Tohpren Co., Ltd. (Chemical)
Tojo Gas K.K.
Tokai Chuo Sekiyu K.K.
Toko Sekiyu K.K.
Tonen Chemical Nasu Co., Ltd.
Tonen Energy and Marine (Singapore) Pte. Ltd.
Tonen Energy International Corp.
Tonen Filare Co. Ltd.
Tonen Film Company Limited
Tonen Kabushiki Kaisha
Tonen Kagaku K.K.
Tonen Sogo Service Co., Ltd.
Tonen Tanker Kabushiki Kaisha
Tonen Tapyrus Company Limited
Tonen Technology K.K.
Tonex Company Limited
Towa Compounding Co., Ltd.
Toyoshina Film Company, ltd.
Trans-Northern Pipelines Inc.
Transalpine Oelleitung in Oesterreich Gesellschaft m.b.H.
Tsurumaru Unyu K.K.

Turbo Fuelling Services GbR
UBAG-Unterflurbetankungsanlage Flughafen Zurich
Ulan Coal Mines Limited
United Industry Development Co., Ltd.
Univation Technologies, LLC
Van Salt Water Disposal Company
VEI Limited Partnership
Verbundnetz Gas AG
Westdeutsche Erdoelleitungs-G.m.b.H.
Western Canada Marine Response Corporation
Worex S.N.C.
Yasaka Sekiyu I.K.
Yellowstone Pipe Line Company
Yoshimi Gas Kabushiki Kaisha
Yuai Sekiyu K.K.